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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2060

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WORLD, CEMA, CSSR GRAIN PRODUCTION ASSESSED

Prague HOSPODARSKE NOVINY in Czech 5 Sep 80 pp 8-9

[Article by Eng Josef Kraus, CSc. and Eng Petr Tucek, Research Institute of Economics of Agriculture and Foodstuffs]

[Text] Cereals are still the most important and vital products of agriculture for human nutrition and their economic and political importance can only be compared with the most important energy raw materials. This year's cereal harvest was good, in fact some areas can be expected to harvest record yields of some cereals. And FAO estimates expect an overall marked increase in harvest yields also in the other CEMA member states in spite of the inclement weather during the first half of the vegetative period and the widespread natural catastrophy in Poland. But even with these promising prospects, CEMA countries will still import certain amounts of cereals from third countries as a result of the steady increase in the animal production volume. This is why the world situation in cereals is important to us. According to latest information the world wheat and feed grain harvest is expected to exceed last year's by 3.5 to 4.4 percent. Since in the 1980-1981 season the overall world consumption of cereals is expected to rise by about 1.4 percent, especially in feed grains, no essential change in grain stocks is expected at the end of the season. U.S. and Canadian grain production will probably drop as a result of great drought. The expected lower harvest in important production and export countries, the United States and Canada, combined with the expected increase in Chinese imports, will result in an increase in world prices. Therefore, the results achieved by Czechoslovak grain production must not obscure the still acute and socially highly important objective--the achievement of self-sufficiency.

Czechoslovak grain production exhibits a steady long-term rising trend. In the first 4 years of the Sixth Five-Year Plan the average harvest yield was 45 percent higher than that in the years from 1966 to 1970. In spite of the impressive increase in harvest yields it is still necessary to supplement part of consumption by imports primarily because of the very rapid increase in the consumption of feed grains. Even though the average annual cereal imports in the first 4 years of the Sixth Five-Year Plan exceeded somewhat the corresponding imports during the Fifth Five-Year Plan, the long-term outlook clearly points to a decrease in our purchases of grains on foreign markets. Already

by comparison with the 1966 to 1970 period the average annual imports of cereals in the last 4 years amount only to slightly less than 84 percent annually or--expressed in absolute numbers--the mean annual import was reduced by almost 300,000 tons.

Of even greater indicative value are data documenting the proportion of our imports in the so-called visible consumption, for example, in the overall available quantity of the product corresponding to the sum of domestic production plus imports.

Over the period of the Fourth Five-Year Plan in individual years 17 to 24 percent of the above consumption was supplied by imports, with the average being 20.3 percent. In the Fifth Five-Year Plan the proportion of imports dropped 9 to 19 percent, or by an average of 13.2 percent over the whole five-year plan. In the first 4 years of the Sixth Five-Year Plan Czechoslovak self-sufficiency kept increasing, and in spite of the poorer harvest last year due to unfavorable weather during the vegetative period, a further decrease occurred in the above proportion to between 7.3 and 17.5 percent, or to an annual average of only 13.0 percent. In 1978, for example, the proportion of imports in the overall Czechoslovak visible consumption was only 7.3 percent. This figure represents the absolute lowest relative grain import by the CSSR in its entire postwar history.

Prices and Imports

In spite of the above-mentioned favorable signs on Czechoslovakia's road to self-sufficiency in cereal production, the impact of grain imports on the foreign balance of payments within the agricultural and foodstuffs complex has been one of the main factors standing in the way of balancing exports with imports. In view of the long-term increase in the world price of cereals, whose average annual increase exceeds the corresponding decrease in the physical volume of our imports, the monetary value of Czechoslovak cereal imports rises. If the value of the volume of the average import of cereals in the years between 1966 and 1970 is 100 points, then the average value of imports in the following five-year plan dropped to 81 points, but in the first 4 years of the Sixth Five-Year Plan the corresponding average increased to 132 points. Compared to the average for the Fourth Five-Year Plan, the average price of a ton of cereals imported to the CSSR in the period from 1976 till 1979 increased by 58 percent. Even though this average figure hides both a change in the type of purchased cereals, as well as some shifts in the territorial composition of imports, the resulting impact on the above-mentioned balance of payments in this sector is clear. Since improvement in self-sufficiency in agricultural products in the temperate zone must be viewed also as a process aimed at the gradual reduction of the negative foreign trade balance of payments by agricultural and food products, the rate of decrease in the physical volume of cereal imports has been insufficient till now.

The rise in the average import price of 1 ton of cereals raised the question of the corresponding increase in the world price. In view of the fact that wheat and corn constitute key Czechoslovak imports, comparative calculations were carried out with six price quotations for wheat on important world markets and two price quotations for corn. The calculations reveal that so-called world

wheat prices quoted by key world exporters--the United States, Canada, Australia and Argentina--increased in the period from 1976 to 1979 by 114 and 124 percent over the price quotations in the years 1966 to 1970, and that their rise continues. The highest world prices of wheat in the 1966 to 1979 period, for example, over the entire period under review, were recorded--disregarding the extreme increase which occurred between 1974 and 1975--in 1979 when they rose to roughly two and a half times the world prices prevailing from 1966 to 1970. A similar increase occurred in the price of corn, which approximately doubled from 1976 to 1979 over prices prevailing from 1960 to 1970. Therefore, if over the same period Czechoslovak import prices of cereals rose by a mere 58 percent--in comparison with the 100 to 124 percent increase on world capitalist markets--then the results of our economic import indicators is undoubtedly a success achieved by Czechoslovak foreign trade, attained solely because of the possibility of the mutual exchange of goods within the framework of the integrated socialist market of CEMA member states.

Key Suppliers

In the entire postwar history of Czechoslovak foreign trade with agricultural and food products, cereals constitute clearly the most important product group. Cereals' proportion of the overall imports of agricultural products and foodstuffs fluctuated between 30 and 7.8 percent in the period from 1949 to 1979 with the lowest point reached in 1978. In view of the expansion of the import assortment of agricultural and food products, and mainly as the result of the described improvement in self-sufficiency in cereal production over the long run, a steady decrease in the proportion of this group of commodities in overall Czechoslovak imports can be expected.

The key--and in some time periods exclusive--suppliers of cereals to the CSSR were CEMA member states. The importance of cereal imports from fraternal CEMA countries in the past 35 years for the Czechoslovak economy has transcended by far the agricultural and food sector, and has been pointed out many times as a unique example of international cooperation of socialist countries in the economic sector.

Between 1950 and 1979 Czechoslovakia imported from CEMA countries a total exceeding 37 million tons of cereals, of which more than 450,000 tons were seed grains. The average annual import thus was approximately 1.2 million tons. The lion's share was consumer and feed wheat, of which 25 million tons were imported--or about 67 percent. The importance of feed grains, especially corn, whose proportion of overall imports in recent years has been around 45 percent and which in the sixties was a mere 10 percent, is rising. Also the imports of seed grains exhibit absolutely and in percentage a rising trend which is fully in accord with the growing importance of cooperation between the CEMA member states in the grain improvement area and demonstrates the specialization polarization in preproduction stages proving in this way--in accord with the harvest indicators exhibited by the Czechoslovak grain producing industry--the high degree of efficiency in this sector of international socialist division of labor.

Imports of cereals to the CSSR were effected also from capitalist states, even though in incomparably smaller quantities. This factor permits one to make some comparisons which unequivocally demonstrate the advantage gained by cooperation in a given area with CEMA member states.

The following comparisons which we were able to make only for some grain types, and only in certain years because part of the imports from capitalist countries represents a qualitatively different merchandise, are chosen so as to represent the price indicators of products of approximately corresponding quality. But they only serve for information because of some specific aspects of deliveries of cereals from CEMA and capitalist states which it is impossible to quantify exactly. In the period from 1967 to 1976 approximately the same quantities of corn were imported from CEMA countries as from capitalist countries. The comparison of prices paid for imports from the two territories expressed as a 10-year weighted average reveals that the average delivered import price from capitalist states in the period under review was 45.7 percent higher than the average delivered import price from CEMA countries. In other words--if the CSSR had been forced to import all corn between 1967 and 1976 from capitalist states, it would have had to pay approximately Kcs 1.2 billion more for this merchandise.

The above comparison, expressed as a 10-year weighted average, has the advantage that it eliminates short-term fluctuations of capitalist markets and expresses price differences more precisely than similar comparisons for individual years. But if prices paid for corn imported from CEMA and capitalist countries are compared for individual years of the time period under discussion, then corn prices from capitalist states exceeded corresponding prices from CEMA states by 35.7 percent (minimum) to 101.8 percent (maximum).

A similar picture emerges from the comparison of prices paid for Czechoslovak imports of corn from CEMA countries with annual averages of quotations for American corn, which represent the world price.*

Even though this comparison serves only for information due to difference in parity (U.S. prices do not include transportation)** even here a marked difference in price favoring imports from CEMA countries can be noted. Price quotation averages for American corn in individual years from 1976 to 1978 were higher by 24.7 to 47.3 percent than Czechoslovak import prices from CEMA countries calculated at then prevailing official conversion rates.

Similar or even more marked price differences can be found by comparing prices paid for imports from CEMA countries with prices of grains in capitalist countries in the case of other cereals. Due to irregular imports from capitalist states such comparisons cannot be performed in a time sequence. For example, the export price of rye in 1972 on capitalist markets was higher by 65.8 percent than the price for the same commodity in CEMA countries, barley imported in 1967 from capitalist countries cost 144.1 percent more than the same grain purchased in CEMA countries. The difference in the price of wheat bought on markets of the territories under comparison--disregarding the difference in quality of part of the merchandise from overseas--in the years from 1967 to 1977 is within a range of from 4 to 144 percent in favor of purchases in CEMA countries, with the price difference growing larger with passing years.

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* U.S. Yellow No 2 FOB Gulf Ports, spot export prices with 30 days for shipping.

** In 1976-1978, for example, grain transport costs from the U.S. to European ports amounted to about 17 to 20 percent of the delivered price (including insurance, storage, takeover and transfer).

These relative data reveal that Czechoslovak grain imports from fraternal CEMA countries are decidedly more favorable as far as price is concerned compared with imports from capitalist countries. Under existing conditions, when we are forced to shift part of our grain purchases to capitalist markets, the reason for the overall increase in the cost of the imported grain is becoming clear, even taking into account the long-term drop in the physical volume of the imported grain which only underlines the urgency of accelerating the rate of achieving self-sufficiency.

Grain Production in CEMA countries

In view of the relatively large extent and good quality of agricultural land, individual CEMA countries and CEMA as a whole can become an important resource for developing the national economy more rapidly. In some of the European socialist countries (and even more so in the USSR), especially in the Bulgarian People's Republic, the Romanian Socialist Republic and the Hungarian People's Republic, the relatively extensive and high quality agricultural land taken together with the other natural conditions constitutes a comparable, if not better, long-term natural resource than the deposits of oil, natural gas, iron ore or of any other available raw material. The status and problems of the international division of labor in the production of grains in the world and in CEMA countries must be assessed from this fundamental viewpoint.

The passive integration of most CEMA countries in international division of labor in grain production began mostly only after the war when on the one hand grain consumption increased rapidly, while on the other hand, the grain production increase failed to keep pace with the rising consumption. It should be said that the Bulgarian People's Republic, the Polish People's Republic, the Romanian Socialist Republic and the USSR did not have a passive foreign trade balance before World War II. In the last 5 prewar years also the CSSR had on the average a positive trade balance in cereals. The situation of the present day territory of the GDR cannot be assessed for lack of data, but this country did not become a large importer of grain until in the postwar period. But the overall situation is largely distorted by the fact that the current and prewar situation cannot be compared with regard to level of consumption, especially of animal food products, and that also the domestic consumption of cereals was markedly different from what it is today.

Just for information purposes it should be mentioned that in the CSR in the years from 1934 to 1938 average grain production exhibited an active balance in the amount of approximately 90,000 tons, while of course meat consumption did not amount to even half of what it is today. Of the domestic consumption of grain, which in the period from 1934 to 1938 amounted to an overall volume of 5.5 million tons, 46 percent was used for human consumption, 39 percent as feed and the balance as seedstock and losses due to storage. In the years from 1974 to 1978 of the average overall consumption of 11 million tons, human consumption was 23 percent, feed consumption 70 percent, and the balance consisted of seedstock and losses.

A rough analysis of the past 30-year development of agriculture in the community of CEMA countries demonstrates the achievement of marked successes in production. They are essentially based on a marked increase in productivity per unit of land, while only insignificant changes occurred in land areas devoted to grain production.

As Tables 1 and 2 demonstrate, the average grain harvest of cereals and legumes in CEMA countries which in the 5 years from 1951 to 1955 was approximately 131 million tons, rose during the last completed five-year plan from 1971 to 1975 to 255 million tons, for example, double the 1951 to 1955 production. But international comparison reveals at the same time that considerable reserves still exist within the community of CEMA countries. According to FAO data the situation for the completed 5-year periods is as follows (Table 1):

Table 1. Long-term Development of Grain Production in the World, in CEMA Countries and EEC Countries

	1951-1955	1956-1960	1961-1965	1968-1970	1971-1975
World grain production	783.3	939.3	1,019.9	1,188.3	1,376.2
CEMA	130.9	168.1	180.4	227.1	255.2
% (svet = 100)	16.7	17.9	17.7	19.1	13.6
EEC	45.7	52.9	58.8	68.7	105.1
% (svet = 100)	5.8	5.6	5.8	5.8	7.6
World production	100.0	120.0	130.0	152.0	175.0
RVHP	100.0	128.0	138.0	174.0	195.0
EHS	100.0	116.0	128.0	150.0	228.6

The volume, rate of growth and share of CEMA countries in world grain production have risen, but slower than in the EEC countries. The land areas under grain cultivation rose in the years from 1971 to 1975 by 18.1 percent on the world scale, while in CEMA countries the increase amounted to a mere 7 percent. The land under cultivation increased in the USSR, the CSSR and the Mongolian People's Republic, while a small decrease occurred in the other countries.

On a world scale, compared with the years from 1951 to 1955, grain yields in the years from 1971 to 1975 increased by 1.2 to 1.7 tons per hectare, in the developing countries by 0.6 to 1.0 tons per hectare, in CEMA countries by 0.9 to 1.7 tons per hectare and in EEC countries by 1.8 to 3.8 tons per hectare. Therefore, considering the growing demand, the rate of growth of yields per hectare in CEMA member states was unsatisfactory, which is also the reason why these countries continue to import considerable quantities of cereals. Currently, the principal importers of cereals are the USSR, the Polish People's Republic, the GDR and the CSSR.

A detailed analysis of the world grain market and the current situation prevailing in grain production in member states reveals clearly that cereals are in constant short supply, especially feed grains, and that grain consumption is increasing at a faster rate than production. Member states are forced to import ever-increasing quantities of grain from third countries. If, for example, the index of the grain volume export from CEMA countries dropped to one-third in the period from 1961 and 1978, then the import index over the same period increased four and a half-fold.

The growth rate of net imports by CEMA countries exceeded considerably the growth rate of harvest yields. For example, in the years from 1966 to 1970 average net grain imports constituted only 0.7 percent of the overall harvest yield, while the average import share rose for the period from 1971 to 1975 to 5.6 percent, and reached in 1978 a full 10.1 percent of overall grain production. In recent years this requirement could be met essentially only by imports from third countries, and as a result compared with 1970 (100 percent) the cost of grain imports rose 10-fold in the period from 1971 to 1975, and 23-fold for the period from 1976 to 1978.

The proposed planned grain production till 1990 is based on programmed targeting. Experience has shown that if the basic food requirements of the population are to be met as well as the feed requirements of animal production and the requirements of other sectors of the national economy, and if adequate grain reserves are to be laid in, then the production target must be a ton of grain per inhabitant. In its 1978 resolution the USSR Central Committee Plenum set for the years from 1981 to 1985 the goal of harvesting an average of 238 to 243 million tons of grain, and raising this goal to a nationwide average of 1 ton per inhabitant by 1990.

Currently in the CEMA community average grain production in the years from 1966 to 1970 was 654 kilograms per inhabitant, which in the period from 1976 to 1978 rose to 806 kilograms, and therefore should rise by 1990 by an additional 194 kilograms, or by 24.1 percent. In 1978 the situation in individual countries with respect to meeting the production norm of 1 ton of grain per inhabitant was as follows: production was highest in the Hungarian People's Republic with 1,266 kilograms, followed by the USSR with 908 kilograms, the Romanian Socialist Republic with 873 kilograms, the Bulgarian People's Republic with 800 kilograms, the CSSR with 735 kilograms, the Polish People's Republic with 623 kilograms and the GDR with 591 kilograms.

It is unlikely that each member state will meet this norm because primarily Cuba, the GDR, the Polish People's Republic and the CSSR are unable to meet it either because of ecological conditions, or the small arable land area per inhabitant, but CEMA as a whole can and must meet this goal.

On the basis of the expected demographic development by 1990, the average level of consumption, and the necessary grain exports, the average annual CEMA grain production by the last year of the forecast will have to amount to 430 million tons. This also means that, compared with the situation existing in 1976 to 1978, average annual grain production will have to increase by 130 million tons, i.e., by 43 percent. If from the period 1960 to 1970 till the period 1971 to 1975 the annual grain production growth rate was 2.3 percent, and in the years 1971 to 1975 till 1976 to 1978 it had already reached 3.2 percent, then the expected production increase needed to reach the goal is exacting but realistic. On the assumption that by 1990 the land area under grain cultivation will not undergo a marked change, then with a consumption level of 430 million tons annually the average grain yields in the community will have to increase to 2.8 tons per hectare, for example, by 0.9 tons per hectare over the yields achieved in 1976 to 1978. Correspondingly, on the basis of the intensity of production achieved, the production growth rate will

markedly accelerate in the most advanced producer countries, specifically in the Hungarian People's Republic, the Bulgarian People's Republic, the GDR and the Romanian Socialist Republic. By analogy also in the CSSR per hectare grain yields cannot be expected to drop below 4.5 tons per hectare.

All the preceding calculations demonstrate conclusively that CEMA countries face exacting goals if CEMA as a whole is to achieve self-sufficiency in grain production, but the calculations also show that this goal is achievable both from the standpoint of achieved average production growth rates and the production results achieved in the preceding 30 years.

The Outlook of the World Grain Market

In a situation where the exporters of cereals to CEMA countries are third countries and especially exporters from North America, the developments on world grain markets and specifically the current development of harvests of key producers and exporters of wheat and feed grains, the stocks of the most important exporters and the current and expected price trends are of great interest to us.

During the vegetative period in 1978 weather conditions were so favorable that wheat harvests in almost all cultivation areas reached record levels. According to FAO estimates the harvest exceeded that of 1977 by 15 percent, with the USSR, West Europe, Australia and Argentina achieving an especially marked increase in production. Lower wheat production in the United States was the result of measures instituted to limit cultivation areas. In spite of the record harvest, world wheat trade remained at the level of the preceding year. Traditional exports and the imports by the Chinese People's Republic were comparable to those in 1977 to 1978. The overall volume of world trade was about 71 million tons. The sum of excess stocks of large export countries was at the end of the economic year 1978 to 1979 approximately the same as that of the preceding year, but a marked shift occurred: while the stocks in Canada, Australia and the EEC increased, they decreased in the United States. Against all expectations, no price decrease occurred. On the contrary, following a period of stability wheat prices rose markedly towards the end of the year. The explanation must be sought in the structure of supply and demand. With the record harvest in the USSR, Australia and Argentina, there was no pressure on the world market. Moreover, the USSR was contractually obligated to buy the agreed quantity of wheat from the United States. But the demand from developing countries was higher than expected and could be met only by the United States, because the other exporter. experienced transportation difficulties.

According to available estimates, the 1979 harvest failed to achieve the record level reached last year. The International Wheat Council estimates the harvest to be 414 million tons, which is lower by 8 percent. The development in individual areas again differed considerably.

The size of the area under cultivation and yields in West European countries decreased. In EEC countries yields turned out to be better than expected. The Mediterranean basin suffered a drought. In socialist countries the harvest was first affected by frosts and in the spring by a drought.

Table 2. Overall Grain Harvest Yields of CEMA Member Countries for the period from 1951 to 1978

	1951-1955	1956-1960	1961-1965	1966-1970	1971-1975	1971-1975 / 1951-1955		1976-1979[1]	1978	1979[2]
Bulgaria	4,219	4,527	4,563	6,454	7,485	+ 3,246	176.8	8,034	7,581	8,323.8
Hungary	6.103	6,644	6,905	8,400	11,527	+ 5,424	188.8	12,445	13,526	12,322.1
GDR	o,366	6,130	5,869	6,991	8,760	+ 2,313	138.3	8,964	9,905	8,926.6
Cuba	--	--	--	--	397	--	--	485	471	446.4
Mongolia	35[1]	118	289	246	366	+ 331	1,045.5	371	355	360.5
Poland	12,324	14,433	15,427	17,387	21,241	+ 8,917	172.3	20,014	21,816	17,570.0
Romania	3,416	9,350	11,101	12,949	14,974	+ 6,558	177.8	19,256	19,075	19.388.0
USSR	88,528	121,468	130,335	187,562	181,554	+93,025	205.0	208,975	237,176	179,020.0
CSSR	4,063	5,466	5,858	7,111	9,436	+ 4,473	180.1	10,042	11,122	5,347.6
CEMA Total	130,955	168,134	180,424	227,087	255,242	+124,287	194.9	263,558	320,342	255,694.0

Source: 1. Ekonomicesko-statisticeskij obzor, SEV Moscow, February 1980.
2 Statisticeskij bjulletin SEV, 1979.

In the United States, the area under cultivation increased somewhat, and wheat production was estimated to increase by 17 percent due to the good harvest. In Canada the harvest yield was lower, mainly as a result of a long-lasting drought in the peripheral growing areas. In contrast, good harvests were reported from Argentina and Australia.

The spring harvest in India was very good. In spite of this, India was forced to use its grain reserve because the rice harvest was lower as a result of very irregular monsoon rains.

Pakistan did not succeed in attaining its high production goals. The very good harvest result in Brazil was thwarted by steady rains during harvest time. Also the USSR--especially in the case of winter crops--failed to achieve the expected results, while the harvest of spring grains was good.

Obviously, the drop in world wheat production by approximately 35 million tons had no marked effect on the world supply situation. The USSR can be expected to use its reserves from the record 1978 harvest, limit the feeding of wheat, and replenish its reserves by imports only to a minor extent. This import will clearly increase world trade by 5 million tons to 76 million tons. Higher imports by socialist countries, Middle Eastern countries and North African nations are also expected, while the imports by Latin American countries will decrease by about the same order of magnitude.

Export countries are fully able to meet the demand both from the new harvest and also from reserves which will decrease by an order of magnitude of about 5 million tons. The United States continues to be the primary grain exporter. According to preliminary official estimates, wheat exports from the United States should be 38 million tons.

Before the 1979 harvest prices increased markedly, which after that fluctuated between $200 and $210 per ton of hard wheat delivered to Rotterdam. In the second half of the 1979 to 1980 economic year a certain price fluctuation can be expected with a general trend pointing to rather stable development.

The year 1978 was also a year of a successful feed grain harvest which (without rye) reached approximately 732 million tons (Table 5). Favorable weather conditions resulted in high yields in almost all growing areas. U.S. corn yields rose by 11.6 percent to 63.5 quintals per hectare, and the overall corn harvest was 180 million tons. The Soviet Union had a very good corn harvest, while a drop was reported from Canada and Brazil. By the end of the 1978-1979 economic year a certain limit in supply occurred because the corn cultivation area in the United States was reduced, the situation in the USSR contributed to an increase in world trade and a lower harvest was expected in European socialist countries and West European countries. Prices rose steeply, but only temporarily. Thanks to exceedingly favorable weather conditions in 1979, a record quantity of 224 million tons of feed grain was expected to be harvested in the United States. The remaining exporters had rather lower harvests than in 1978.

Table 3. World Wheat Production and That of the Most Important Export and Import Areas

Area	Period 1961-1965	1975	1976	1977	1978[1]	1979[2]
West Europe[3]	44.6	53.0	57.2	53.4	63.8	59.5
	14.8	24.1	28.7	28.6	30.6	26.4
USA	33.0	57.8	58.3	55.4	49.0	57.5
Canada	15.4	17.1	23.6	19.9	21.1	17.3
Argentina	7.5	8.6	11.0	5.3	8.1	8.0
Australia	8.2	12.0	11.7	9.3	18.2	15.0
India and Pakistan	13.3	31.8	37.5	38.2	39.7	44.9
USSR	64.2	66.2	96.9	92.0	120.8	85.0
People's Republic of China	22.2	41.0	45.0	40.0	51.0	56.0
World total	254.4	354.8	419.9	385.7	449.2	415.3

1. Preliminary
2. Preliminary estimate
3. West Europe including Yugoslavia

Table 4. Wheat Balance of Key Exporters (in million tons)

Country and year of harvest[1]	Excess stocks	Harvest	Quantity available[2]	Consumption	Export
USA					
1978/79[3]	32.0	49.0	81.0	23.4	32.5
1979/80[4]	25.1	57.5	82.7	23.5	36.0
Canada					
1978/79[3]	12.4	21.1	33.5	5.3	13.1
1979/80[4]	15.2	17.5	32.7	5.3	14.0
Australia					
1978/79[3]	0.8	18.2	19.0	2.8	11.5
1979/80[4]	4.7	15.0	19.7	2.8	13.0
Argentina					
1978/79[3]	0.5	8.1	8.6	4.3	3.8
1979/80[4]	0.5	8.0	8.5	4.5	3.5
1978/79[3]	7.2	47.3	58.8	40.0	8.6
1979/80[4]	10.5	45.6	59.9	41.5	10.0

1. U.S.-June/May; Canada and France-August/July, Australia and Argentina-December/November.
2. Includes also imports
3. Preliminary
4. Preliminary estimate.

Table 5. Feed Grain[1] Production in the Most Important Import and Export Areas of the World

	1961-1965	1975	1976	1977	1978[2]	1979[3]
	23.7	40.7	40.6	40.1	43.2	40.0
[4]	57.5	87.1	79.3	93.7	96.3	95.8
USSR	42.3	85.8	102.2	85.4	93.0	79.0
USA	132.0	184.7	193.5	203.5	217.3	224.0
Canada	12.5	19.5	20.7	22.0	19.9	17.5
Argentina	7.9	13.8	12.7	16.4	18.7	16.5
	275.9	431.7	449.0	461.1	488.4	472.9
	446.3	624.0	686.1	694.3	732.5	715.0

1. Corn, barley, oats, feed grain mixes, cheroot and sorghum.
2. Preliminary
3. Preliminary estimate
4. Including Yugoslavia

In spite of the record 1978 harvest world trade with feed grains expanded rapidly (Table 6). While the traditional importers in West Europe and Japan increased imports only slightly, because their own harvest was adequate, socialist countries increased their imports further to satisfy the ambitious goals in the meat consumption area. The Chinese People's Republic imported great quantities. Also imports by Middle Eastern and North African countries increased. Brazil had to balance its own lower harvest by imports to maintain the existing level of animal product consumption. Trade with feed grains rose also due to countries from East Asia which are developing their economies and are markedly increasing their animal production as a result of increased demand for meat.

The United States was the main gainer of the expanded feed grain trade by increasing feed grain exports by more than 5 million tons and supplying currently almost two-thirds of the total world feed grain demand. In the 1978/1979 economic year the volume of feed grain trade was 89 million tons. With the marked increase in the demand for meat and meat products, the demand for feed grains has also risen, primarily in the United States, the USSR, in European countries and the Far East. In spite of this the record harvest made it possible to increase stocks in importing and exporting countries. In 1980 the world feed grain trade probably will exceed 100 million tons for the first time. The traditional volume of trade with the principal importing countries in West Europe and Japan will probably not exceed the customary level, but an increase in feed grain imports by the USSR can be expected, even though the situation remains rather unclear as a result of the discriminatory policy of the United States towards the USSR.

In the 1978/1979 economic year world market prices exhibited a steadily rising trend. In the fall of 1979 prices fluctuated then dropped primarily as a result of the ample harvest in the United States, rising inflation, and the pessimistic economic outlook in the United States, where feed lot production is expected to shrink, and export reserves for 1980 to increase. Excess reserves can be expected to diminish and prices on world markets to fluctuate.

Table 6. Grain Imports by Important Importers and Import Areas (Business Year From July to June in millions tons of grain units)

Import areas	1961/ 1965	1975/ 1976	1976/ 1977	1977/ 1978[1]	1978/ 1979[1]	1979/ 1980[2]
			Wheat and wheat flour			
West Europe[3/4]	12.1	7.8	5.7	7.4	6.7	7.5
Of this EEC[4]	4.6	6.4	4.2	5.4	4.5	4.5
European socialist countries	5.0	4.1	5.9	4.8	4.5	5.0
USSR	2.4	10.1	4.6	6.3	5.0	11.0
Central and South America	4.8	8.8	8.8	9.5	10.5	10.0
Near East	2.3	3.3	4.7	8.3	6.2	7.0
Far East[5]	7.8	11.6	8.4	6.3	7.4	6.1
Japan	3.1	5.9	5.5	5.8	5.6	5.6
People's Republic of China	4.4	2.3	3.2	8.6	8.1	7.0
North Africa	2.8	7.1	7.2	8.8	9.4	11.4
World total	46.0	68.8	61.5	71.6	71.0	77.0
West Europe[3/4]	19.2	24.8	35.6	25.5	24.0	25.0
Of this EEC[4]	15.9	17.1	26.9	15.2	14.8	16.3
European socialist countries	2.5	7.6	5.0	8.4	8.3	10.0
USSR	0.1	15.5	5.7	11.7	10.0	21.0
Japan	3.4	13.5	15.9	17.0	17.9	18.5
World total[4]	31.9	76.4	82.6	83.3	90.0	100.0

1. Preliminary
2. Preliminary estimate
3. Including Yugoslavia
4. Without mutual trade
5. India, Pakistan, Bangladesh, South Korea, Taiwan and Indonesia.

8664
CSO: 2400

STOCKPILES OF UNSELLABLE GOODS DAMAGE ECONOMY

Tirana BASHKIMI in Albanian 29 Sep 80 p 1

[Article: "Let Us Avoid and Prevent Stockpiles"]

[Excerpts] For completely subjective reasons, there have been cases where certain articles have remained unsold for a long time. The maintenance of stockpiles or of slow-moving goods is a phenomenon which is very bad for the economy, and the party has continually given its attention to this problem.

During the past two or three years, the ministries, the executive committees of the peoples councils and the enterprises have done careful work to put into economic circulation those goods which were formerly outside the economic circuit and not to create stockpiles or slow-moving goods. This problem has been analyzed many times, and the results have been obvious, especially on the part of enterprises in the communications and construction areas. The Ministry of Domestic Trade has organized exhibits of goods and has placed them in all selling units. It has organized fairs in the cities and villages and has moved goods from one unit to another. The Ministry of Construction has published a bulletin presenting the situation of various types of goods and machinery and has distributed the bulletins to all enterprises of this system, for the purpose of re-distributing the products according to the needs of each enterprise.

However, duties in this sphere are not being carried out as they should be. Some enterprises of the Ministry of Light Industry and the Food Industry distributed only 56 percent of the products within the system in 1978 and 1979, leaving the major part of the goods to be distributed in 1980. The enterprises of this ministry have not executed their duty of reworking and making over those products which could not be sold in their original state.

CSO: 2100

WEST GERMAN COMMENTARIES ON GDR ECONOMIC SITUATION

Portrait of GDR Economics Chief

Duesseldorf WIRTSCHAFTSWOCHE in German Vol 34 No 36, 5 Sep 80 pp 72-73

[Article by Dr Angela Scherzinger, Department for 'GDR and Other Eastern Industrial Countries," German Institute for Economic Research (DIW), West Berlin: "Guenter Mittag--Loyal to Reform Course; East Berlin's Highest Ranking Economic Manager Portrayed by Angela Scherzinger"]

[Text] GDR scholar Dr Ernst Richert provided what seems to be the most apposite characterization of Dr Guenter Mittag, SED Central Committee Secretary for economics: "Mittag is short on the use of ideological slogans, but when he does use them, he does so precisely...somehow the total societal interest still remains paramount. In the course of his long career this has become part and parcel of him."

Typical for the style of the GDR economics chief are his factual and sober manner, his pragmatism in regard to economic detail, his diligence and his discipline. This permits him to accept joint responsibility for the various economic stages and course corrections which occurred in past years in the GDR. It would be a mistake to rank him with the group of technocrats and thus juxtapose him to the ideologists or party officials. Mittag is loyal to basic SED decisions which he helps to influence more or less from within the Politburo.

No doubt there are some conflicts about ends: It is possible for the need to secure the party's power--and the political system--to clash with compelling economic requirements. However, so far it has been erroneous to believe with recently deceased GDR scholar Prof Peter Christian Ludz that one may describe party experts like Guenter Mittag as a "counter elite" and expect them to turn toward a more factual appraisal let alone a partial liberalization of the system as a whole.

Guenter Mittag's origin and party career predestined him for success in the GDR. He was born in 1926 in Szczecin (now Poland), the scion of a worker's family. After graduation from middle school he served an apprenticeship

with the German Railroad. He has been a member of the SED since 1946. At only 24 years of age he became a salaried employee of the SED Central Committee, initially in the department for trade and supply. He advanced to head of the department for railroad, transportation and communications in 1953. At the same time he completed correspondence courses at the Friedrich List Advanced School for Transportation, Dresden, and in 1958 received a doctorate in economics. In the same year he was appointed a Central Committee candidate. His political career proper began in 1958: He became secretary to the economic commission at the Politburo, set up by then party chief Walter Ulbricht and later abolished. In 1962 Mittag entered the innermost leadership circle of the party: He became a member of the SED Central Committee secretariat. The secretariat is in fact the supreme command post for the entire party apparatus. It might be described as the center of the internal party executive and also as a kind of brains trust for the SED Politburo. The individual members of the secretariat have their own (experienced) staffs and maintain constant contacts with the corresponding departments of the Central Committee. In other words, as a rule a member of the secretariat also heads certain departments of the Central Committee, which relate to his sphere.

Though currently Guenter Mittag is responsible within the secretariat only for the section industry and construction, within the Central Committee he is in charge of the various industrial sections as well as two overlapping departments, including the important research and technical development section.

In 1963 Mittag's status was rounded off and consolidated with his appointment to the Politburo which is the de facto decision-making body of the party. This personal union--member of the secretariat and member of the Politburo--signifies a position of tremendous power. In his capacity as member of the secretariat Mittag is involved in the preparation of Politburo decisions affecting his sphere, enjoys the corresponding advance information and is therefore always able later to influence Politburo decisions.

For some years, from 1973-1976, Mittag lost his job in the Central Committee secretariat and, therefore, his dual function. He was demoted to first deputy premier. There has been much speculation about the reasons for this demotion. Still, even in those years Mittag kept his position in the Politburo and, since 1976, once again exercises his former function in the secretariat.

The public got to know Mittag--together with Dr Erich Apel, then chairman of the State Planning Committee--in the early 1960's, when these two established the "new economic planning and managing system."

At that time many economists criticized the old economic system, especially for the devastating consequences of planning by volume only (the so-called ton ideology), the neglect of quality and efficiency, cost

structures distorted by artificially steady prices, and the lack of incentives for technical advances. The economic reform of 1963 was basically designed to partially expand the decision-making scope of enterprises and provide for an improved ratio of central planning to enterprise responsibility. Certainly not planned was a system-explosive transition to a market economy, because in those years also the central authorities alone decided all fundamental issues of structural policy.

It was quite in character for cautious Guenter Mittag to cover his rear even then. In October 1964 he said that capitalist management methods should be divested of "their capitalist shell" and their "rational core" made to serve the GDR economy. At no time did he question the primacy of overall economic targets.

It is therefore not surprising that Guenter Mittag was able politically to weather the later abandonment of the reforms, differing therein from his fellow reformer Apel who committed suicide in 1965. It is quite impossible to prove that Guenter Mittag at any time opposed the recentralization of the economic system, which occurred in December 1970.

At the present time the GDR is once again confronted with serious economic problems: The foreign trade situation, especially the inflation of raw material and fuel prices, has resulted in a substantial trade deficit with its Western and Eastern partners, accompanied by correspondingly heavy interest payment burdens.

To secure appropriate growth and improve export opportunities it will be imperative to raise productivity.

In this situation the GDR economic leaders are once again seeking to initiate reforms. Doubtless one of the most important measures is the change in economic organization by way of the establishment of combines--noticeable in the past 2 years. Guenter Mittag is one of the prime advocates of this restructuring effort.

The merger of individual enterprises into larger units (combines) is designed to raise the efficiency of the available production factors and encourage technological progress. The second aspect is likely to be of particular importance for Guenter Mittag. In this connection it is surely no accident that the emphasis on the introduction of microelectronics was a special feature of the 1977 Sixth SED Central Committee Plenum. No doubt, either, that Guenter Mittag--mindful of the need for modernization and efficiency was a prime mover.

Impressions of Traveler

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 28 Aug 80 p 1

[Article by B. Asmus, datelined Frankfurt, 27 August: "As If From a Faraway Land: A Travel Report From the GDR; Western Credits Act Like an 'Artificial Kidney' for the Economy"]

[Text] Entry to the near and yet so far neighboring country took relatively little time: One hour for passport, identity and baggage checks, and the "state border" is behind us.

Later that day relatives in Chemnitz, now called Karl Marx Stadt, proudly show off their new color television set. Price: M6,500. They say they were lucky to get it after standing in line for a long time. "What else are we to do with our money?", is the answer to our question whether this high price is worth it. The financial situation over there resembles ours before the 1948 monetary reform: A lot of money around, little to buy. Household linen, furniture, china, spare parts and much else is scarce. Prices rise on the sly: Suddenly the store no longer stocks the old brand of drink; offered at twice the price is a bottle with a new label, which tastes exactly the same. The same applies to many items of daily demand. The government tries to skim off the excess money by prices so inflated that they seem breathtaking to us. The success of this maneuver is minimal. Money is beginning to lose value. The consequence: Retreat to private transactions, increasing black market and barter deals, declining work ethic and productivity.

We talk of the energy situation. A few years ago the old central heating boiler was converted from coke to natural gas. At that time it was possible to get a furnace by complex barter deals. Electricity and gas for lighting, cooking and heating cost M600 per annum. Now my relatives hope that there will not be gas rationing this coming winter. The gas from the Soviet Union is in short supply, new household installations are no longer approved. Whenever a bottleneck occurs, industry enjoys priority.

Up to now the private sector has been spared energy problems. Gasoline is available for private cars at a price of M1.60 per liter. Reduced were the motor fuel allocations to enterprises and public transportation; some bus routes were abandoned. Our hostess says that "this year our factory outing was canceled because, due to the fuel shortage, the city bus company was unable to provide a vehicle."

On the road, on the other hand, we are surprised by the many trucks and tractors which spew huge clouds of smoke--unspent diesel fuel. Fuel injection valves--an item costing a few pennies--are scarce, that is why the engines are badly adjusted.

Despite the constant din of propaganda "more output with less material and energy use!", industry is unable to use many of the possibilities for conservation because the required heat exchangers, pumps or controls are not carried in the plan. Amendments to the production plan take up a lot of time. In addition the division of labor within CEMA has adverse effects: Certain pumps, for example, are made exclusively in Czechoslovakia, certain devices only in Poland.

On the other hand it is possible quickly to obtain from the West that which cannot, for system-related reasons, be speedily produced at home. Imports from the West thus act like an "artificial kidney" for a patient threatened with circulatory collapse: Supplies made possible by Western loans exercise a tremendous "multiplying effect."

We note in particular the "plan fulfillment propaganda" in preparation of the Tenth SED Congress scheduled for April 1981: No newspaper lacks triumphant announcements of voluntary additional obligations incurred by work collectives, ever new reports of "plan advances" already achieved or firmly promised. The natives take hardly any notice of these slogans, just as we barely register detergent advertising. The next morning a neighbor, employed as an engineer in a transportation firm says: "Some time ago my enterprise notified the authorities that a new garage building was ready for use although not even the main structure was completed. Vehicles were still parked outside for months afterward."

Still, work does not always proceed so slowly: When, on the eve of last May's "Youth Festival," unknown perpetrators blew up the Soviet monument at the entrance to Karl Marx Stadt, a construction crew hurried along the very next morning to repair the damaged concrete plinth; a crane quickly set upon it a brand new T-34 "memorial tank."

A line of waiting people stands in front of a tire store. I join the line. Inside the sales clerk explains: "Instead of the 100 new tires ordered for this month we got only 10. We won't even get retreads before the end of the third quarter!" For many of those waiting in line this news means the abandonment of travel plans using their own cars and also reveals the reason for the many accidents we saw on straight sections of the motorways, despite a 100 km speed limit: Worn tires, worn steering controls and lack of replacement parts. One day earlier the newspaper had praised the excellent "plan advance" of the Pneumant Tire Factory.

Many items suitable for export to the West have disappeared from the domestic market, such as ceramic tiles which are popular for remodeling the usually old apartments. They are available only at the "Genex" gift service in exchange for hard currency and priced at DM32 per square meter. The same GDR-made tiles cost less than half that amount at building supply dealers in Stuttgart, Hamburg or Dortmund.

In the evening a friend of our hostess comes to visit. She is a surgical nurse in a nearby hospital. Her hospital also is affected by the supply bottlenecks. She gets only one freshly laundered gown per week for her theater duties. Bandages have to be reused. That makes for additional work for sterilization and drying while increasing the danger of infection.

Development Since the Wall

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 9 Aug 80 p 9

[Article by Werner Obst, formerly with the Office of the GDR Council of Ministers, now living in the FRG: "Not Too Much Export, But Too Little Production--The GDR After 19 Years of the Wall"]

> [Text] GDR officials constantly reaffirm that the standard of living there is so low because too many goods need to be exported. This assertion seems to meet with understanding even among critical residents of the GDR. The following article, though, claims that "the GDR does not export too much, it produces too little." This indeed is the nub. The author is particularly well qualified to make such a statement; before feeling to West Germany he handled basic economic issues in the "office of the GDR Council of Ministers" for many years. [The editorial board]

The wall dividing Germany will be 19 years old on 13 August. It is a sad date in history anyway; moreover the GDR's "Western state border" is now more unsurmountable for Central Germans than ever before. In contrast to Western detente expectations, the SED leaders have made their border with the Federal Republic more and more "secure." Does the wall thus ultimately meet its requirement to protect the slowly emerging socialist state consciousness? That which Federal citizens visiting there record as "state consciousness" still prevails only among a minority of the people. GDR citizens assess this minority as ranging from 20 to 30 percent. That was the case in the 1950's, and to this day nothing has changed with regard to this magic dimension. Upon closer scrutiny what seems like state consciousness over there is nothing more than love for the homeland.

Definitely important for the people's political instability is GDR economic misery. Although we mean well when we tell them that the GDR has the highest standard of living within the Eastern Bloc, to them it sounds patronizing--tantamount to someone telling us in the Federal Republic that we have a higher per capita output than Spaniards or Italians. We would feel such a remark insulting, because it has always been like that. We are equally at fault for assuming that Central Germans consider their greater efficiency (by comparison to Russians, Poles or even Rumanians) something special. In fact it is also a matter of course for people over there, and their standard of comparison is the Federal Republic. Of course in such a comparison they are bound to record a steadily growing prosperity gap vis-a-vis the West.

That is the problem of the Central Germans. Before the war productivity was greatest in industrialized Central Germany, falling off in direction Rhine and the Alps. The five-cornered region Magdeburg-Berlin-Dresden-Plauen-

Eisenach was the center of German machinery, vehicle and aircraft construction. Forty percent of the chemical industry were settled there; in 1938 some 65 percent of all exports from the German Reich came out of the present GDR territory. In 1980 the GDR will export goods to the value of some 57 billion Valuta marks, equivalent to DM34 billion; the Federal Republic's exports amount to about DM350 billion. At this time, therefore, the GDR would account for only 9 percent of total German exports. More than anything else that demonstrates the relative economic decline of this once highly developed German region--and the people over there are fully aware of that. Of course they are just as ignorant about the causes of the shortcomings of the planned economy as people in the West are about the actual facts of the superiority of the market economy.

In Leipzig the visitor to the Fair is always told by the people affected that the standard of living is so low because too much is exported. That, however, is not really the case at all because--relative to the respective domestic national product--both German economies record an export rate of 23 percent. As the GDR foreign trade mark is worth only 60 pfennigs on the world market, per capita GDR exports are worth DM2,000, the Federal Republic's DM5,700. And yet the stores here are full of merchandise. Consequently it is not that the GDR exports too much, it simply produces too little.

Moreover, despite inflation, unemployment and weaker growth here the GDR falls further and further behind the Federal Republic. That is the real and cardinal problem of the first socialist state on German soil.

Monthly net wages and salaries per employee in 1980: Federal Republic just on DM1,800; GDR M780. At the same time the current average purchasing power of the currencies is about equal for private consumption. As to social expenditure--the GDR manages just about one third of our services, and annual savings here are by now five times greater than over there. Compared to the equivalent GDR occupational groups our blue and white collar workers and civil servants currently dispose of roughly seven times the money and real property.

At this stage the GDR is a classical lowwage country. A sales clerk earns M500 net, a skilled worker M800, a middle manager M1,200-1,500, and a top manager--such as the general director of a state combine with 10-30,000 employees--gets M2,500 monthly. This alone shows quite clearly why the SED leaders must hermetically seal the borders. Quite apart from any political considerations, the people there would run away merely for the opportunity of earning twice to three times more over here. In 1980 the Federal Republic will achieve a gross national product of some DM1,500 billion; the GDR may manage about M300 billion.* Per gainfully employed person and man hour we achieve DM32.60, the GDR manages M16, in other words just on 50 percent of our productivity.

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* GDR at West German prices. Estimated by German Institute for Economic Research (DIW), West Berlin.

It would need total alienation from reality to expect a happy future for GDR socialism through 2000. All signs indicate that a critical stage will be reached in 1980--with the accompanying consequences for the political system. To appraise the situation differently we would have to believe that the SED leaders will be able to keep a firm grip on their own people despite the even greater income and property differences to be expected between now and 1990. In other words, the SED leaders were unable to accomplish the real strategic goal of the construction of the wall now approaching its 19th anniversary. That much is certain. Actually the hope that the wall would be temporary was bound to be an illusion.

To be sure, the GDR was at a disadvantage after World War II. It did not obtain aid by way of the Marshall Plan, it had to pay more reparations per head of the population and, between 1949 and 1961 alone, lost another 3-4 million people to emigration. However, even after the construction of the wall the GDR could not keep up. That is the problem.

Low Productivity, Listless Workers

Cologne RHEINISCHER MERKUR in German No 31, 1 Aug 80 p 11

[Article by Peter Schiwy: "GDR Economy--The System Which Induces Listlessness; SED Calls for Productivity"]

[Text] The plan discussion is in full swing from Stralsund to Plauen, from Magdeburg to Frankfurt/Oder. By a clumsy rather than adroit propaganda campaign GDR state propaganda agencies try to arouse the working people to give some impetus to the socialist planned economy. A new five-year plan will begin on 1 January and, scheduled 100 days later on 11 April, is the Tenth SED Congress, a major event for the GDR and already widely touted in official propaganda. The Central Office for Statistics of the East Berlin party government describes the economic growth in the first 6 months of this year as "dynamic and stable." The produced national income grew by "more than 5 percent"--in terms of the full year the plan provided for no more than a 4.8 percent growth rate. Twelve months ago, in the summer of 1979, the Central Office for Statistics was completely silent on this figure.

But this time also the balance sheet is not nearly so satisfactory as the propagandists paid by the SED would have us believe. Almost exclusively the figures refer to data which make comparisons quite difficult for Western experts.

And yet, if the socialist economic planners had any self-confidence at all, they need not fear to admit their serious difficulties. It is after all quite obvious to everybody that the world economic anxieties are by now besetting the socialist planned economies of the East also.

The GDR is no exception though--thanks to its relative advanced industrialization--it is still better off than other state economies in the East, now shaken by crises. The view across the "Oder-Neisse border of peace" toward Poland must be gratifying to many an East Berlin planner.

However, it seems as if socialism would never be sufficiently productive in operation. The beginning and end of the dilemma is exceedingly low productivity. As a result the SED now calls for an improvement "exceeding the hitherto customary extent." The propaganda slogan says: "Achieve more profit from every mark, every working hour and every piece of materials."

Official reports from the GDR also indicate that the price level of industrial goods has risen dramatically. At the same time, while last year industrial goods production rose to a total of M5.5 billion, this year's increase to 10 billion provides no more than a 5.9 percent rise.

The GDR consumer notes that many products can be bought only for more money, regardless whether it is a matter of household linen or other household goods which are not among the much subsidized basic necessities. The rate of increase for these subsidies demonstrates that it is more and more expensive to provide them to keep basic necessities cheap: It stands at 8.7 percent.

This is accompanied by a change in consciousness which has so far failed to be compensated by propaganda and is therefore something of a constant problem. The man in the street is losing any sense of value. The fares on public transport bear no relation whatever to the value of the energy-consuming service, the price of bread does not in the least correspond to the work of the farmer nor the processing by miller and baker: They are no longer criteria of a price and value consciousness.

This fatal result is reflected in the state of repair of older buildings in the GDR and other Eastern Bloc countries. Rents are held artificially low and do not cover costs; the revenue is totally inadequate to finance restoration let alone new construction. Nevertheless fortunate GDR citizens obtained more than 54,000 new housing units (1,600 more than in the first 6 months of 1979). That is an immensely important figure in a country where the baby boom persists--every 2 minutes another child is born in the GDR.

The party makes no bones about that which matters: "Primarily to raise export profitability and improve the export structure." This phrase hides a permanent problem inherent in the GDR and other Eastern Bloc countries. Their offer of products often fails to meet the quality criteria of Western markets.

Little success has so far been achieved by the efforts to obtain higher revenues by suitable and technically advanced products. This is where the circle of anxieties closes: Greater productivity and efficiency would help, but both are lacking where the system itself generates indifference among the workers.

Up to now the officials have not found a recipe for dealing with this situation. The system is limping.

Mid-Year Economic Status

West Berlin DIW-WOCHENBERICHT in German Vol 47 No 31, 31 Jul 80 pp 327-332

[Analysis by Dr Doris Cornelsen, department head, German Institute for Economic Research (DIW), West Berlin: "Good Growth Conditions in First Half Year--GDR Economic Situation in Mid-1980"]

[Text] For the last year of the 1976-1980 Five-Year Plan the GDR economic leaders had planned a just under 5 percent growth of the produced national income and industrial production; it was intended thereby to stop the trend to slowly declining growth noticeable for the past few years. Conditions were favorable in the first half year. In contrast to the first half of 1979 production was able to develop in all sectors without restrictions due to severe weather conditions. The fulfillment and overfulfillment reported in the half-year account is therefore not surprising.

The report of the Central State Administration for Statistics[1] for the first half of 1980 shows the following (percentage growth by comparison to the corresponding period of the previous year):

	First Half 1979	First Half 1980	Annual Plan 1980
Produced national income	1) 2	5	4.8
Industrial goods production	2) 3.2	5.9	4.7
Retail trade turnover	1	5.7	4.0
Investments	0.7	- 2	0

1) Estimated.-- 2) Per calendar month. Published was a 4.4 percent growth rate adjusted by working day.

This result, though, is somewhat vitiated if we relate it to the production process of last year. The excessively severe winter weather in the early part of 1979 had caused considerable disruptions in the transport system, energy supply and--consequently--production as a whole. In the second quarter the development quickened, and in the course of the year some of the losses were made good. Against this background the results of the first half of this year are less impressive than the initial comparison of annual growth rates would imply. This applies in the first place to the

transportation and construction sectors which are particularly dependent on weather conditions, but it holds true for industry also.

Industry

For industry the plan fulfillment report indicates a 5.9 percent rise in goods production in the first 6 months. This rate of growth is exaggerated by about 1-2 percentage points because a corresponding loss of output occurred in the previous year. In the second half of 1980 the growth rate is certain to be rather lower due to slightly above normal production levels in the second half of 1979. Still, a little better than 4 percent growth would be quite sufficient to fulfill the annual plan (+ 4.7 percent).

The slight stabilization of production growth seems to be the consequence of improved production organization following combine establishment. This organizational change was largely completed in 1979. In March 1980 the SED Central Committee conducted a major exchange of experiences with the general directors of combines; however, reports of that conference were exceedingly short on facts. All that emerged was the unanimous resolution of the combines to raise output in 1980 beyond the plan to the extent of 2 working days.

Changes did occur, on the other hand, with regard to the assessment of performance.[2] Since March 1980 "net production" and "basic material costs per M100 goods production" have been among the prime indices of planning, reporting and performance assessment. This is to encourage intensification of production and stimulate the thriftiest possibly consumption of energy and raw materials. The index figure "industrial goods production" which has been (and is likely to remain) the decisive indicator, has an averse side effect: A plan is more easily fulfilled with greater material expenditure and material intensive previous work. Honecker therefore described the improvement of performance assessment as a key to the reduction of expenditure for previous work. ("That which profits the national economy must benefit the enterprises also") However, the new indices will not be helpful if simply incorporated in the vast complex of enterprise data. Instead their fulfillment must actually be made the criterion for the amount of allocations to enterprise funds. Reports so far received fail to show clearly the value assigned them with regard to enterprise performance assessments or the consequences of fulfillment or nonfulfillment.

Earlier indices on the reduction of the specific consumption of energy and raw materials aimed in the same direction of "materials economy." The 1980 plan had adopted the targets of the five-year plan and partly raised them (for rolled steel): Specific energy consumption in industry was to be lowered by 5 percent, rolled steel consumption in the metal processing industry by nearly 7 percent. The plan fulfillment report noted complete success. Savings were certain quite feasible because specific materials consumption in the GDR is generally far too great even now. Higher commercial prices for energy and raw materials have certainly contributed to more rational

materials use. More price increases for energy raw materials took effect in the GDR on 1 January 1980. In future regular annual price rises are to occur in this sector.[3]

If we compare the five-year plan targets with the subsequent annual plans we may arrive at some assumptions about changes in the medium-term[4] goals of industrial policy. To begin with we see that--in contrast to the principles of the planning order--it was not possible to draft the annual plans as "sections" of the five-year plan: The growth targets initially planned have generally been somewhat scaled down. This reduction was particularly evident in the chemical industry, machine tool construction and light industry. The skeleton directive for the current five-year plan realistically permits amendments to the "annual plan sections" of the five-year plan: The prerequisites are fundamental changes ("changed demand," "new demand") and evidently excessive or insufficient utilization of capacities ("consideration for the development achieved in earlier plan years").

The lower growth rates for the chemical industry may be due to a fundamental change in the medium-term goals of industrial policy. In view of rising oil prices the GDR is not financially able to continue the expansion of oil processing on the former scale;[5] if it is attempted to replace oil by domestic brown coal, conversion difficulties tend to be considerable. The more cautious planning for this industry therefore takes into account the inflation of oil prices. Consequently not one of the enterprises producing largely on a basis of oil figures among the combines singled out for praise in the plan fulfillment report (output increases of 10 percent or above).

A similar change in the basic course of industrial policy may have resulted in the reduction of the initially planned growth rates for light industry (textiles, clothing, leather goods). It was pointed out that the materials base for this sector is likely to grow far more slowly in future.[6] Decisive here is likely to be the fact that, due to the severe competition from the developing countries, exports of the products of light industry fail to meet the constantly reiterated requirement of "foreign exchange profitability."

The lowering of plan data for equipment construction and machine tool construction, on the other hand, is probably the result of inadequate output successes. Both planned and actual indices for electrical engineering/electronics and device construction still conform to the five-year plan.

Farming

The plan fulfillment report claims a normal result for farming. Though poor weather is mentioned, it is pointed out that output of animal and crop production has progressed as planned.

Notable in the period under review were some changes in farm policy. In May 1980 the GDR Council of Ministers adopted a resolution on new management

regulations in agriculture and the foodstuffs industry,[7] which will take effect in 1981. Their gist is as follows:

-- Reduction of earlier subsidies for replacement parts: From 1981 crop production enterprises will be granted only half the subsidies allowed in 1980, animal production enterprises will not receive any;

-- A differentiated rise in farm producer prices--coupled with the maintenance of stable consumer prices--from 1981 on: In crop production this involves mainly price increases for rye, potatoes and protein-rich feed crops; in animal production milk and beef (calves, grain-fed beef cattle, slaughter cows and heifers);

-- The abolition of preferential treatment for industrialized facilities within animal production enterprises: No longer will preferential prices be paid. Nor will there be any more investment subsidies for the construction of such facilities;

-- A differentiated reassessment of taxes to be paid to the state budget: From 1981 on the enterprises will generally pay higher taxes, dependent on the profitability of their production and rising to a maximum of 50 percent of profits.

At the same time the higher cost of replacement parts is intended to encourage thrifty use, higher prices to improve profitability and the increased taxes are to balance the rising subsidies required to maintain stable consumer prices (while producer prices are climbing). The decision explicitly states that the measures designed to affect the structure should not normally result in additional burdens on the state budget.

It is a prime concern of the latest farm policy decisions to reduce the present--and apparently very marked--profitability differences between the various production sectors in agriculture. It is also possible that a definite output stimulation for beef production is intended, because it has long been the aim to reduce the proportion of pork. The decisions may also be interpreted to mean that the speed of "industrializing agriculture" is to be somewhat reduced. An end is made of the price disadvantages suffered earlier by traditional production in cooperatives and individual smallholdings. Presumably the authorities want to prevent the impression that the illusion of greater profitability justifies the setting up of industrialized facilities.

In any case, after a long period of featherbedding, farming is now cautiously to be brought closer to the necessary cost/yield considerations. Several recent remarks by the economic leadership demonstrate that problems do exist in this sector. Farm issues loomed large at the Eleventh SED Central Committee Plenum in December 1979. The directive[8] on the drafting of the 1981 plan--the third of its kind--mentions farming for the very first time. Among the usual calls for the development of new reserves is the postulate

that agriculture should reduce losses, organize a more favorable cost/yield ratio and improve breeding results. Without abandoning large-scale subsidies it is to be assumed that this sector's need for subsidies will in future be more closely scrutinized from the aspect of efficiency.

Investments

Accompanied by more severe implementing regulations the planning of (material) investments envisaged stagnation for 1980 and, in view of the rising volume of incompleted investments, reduced in particular the start of new projects. The first half year results (M21 billion) of completed investments[9] are slightly below the level of the comparable period of 1979. Still, a substantial--9 percent--growth was recorded for industrial investments. This is probably accounted for by the completion of some major projects. In the period under review planning and implementation also clearly showed the concentration of resources on industry. For all other sectors investment resources are in short supply--excluding only housing construction. In other words, the necessary renewal and expansion of fixed assets is bound to fall short of requirements even in important sectors of the infrastructure such as transportation.

The Seventh Construction Conference[10] dealt with long-term prospect of the construction industry. The production targets to 1985 correspond to the growth rates of the current five-year plan; conservation is emphasized: Construction delays are to be cut and expenditure lowered. Substantial savings are called for especially with regard to energy consumption in the production of building materials and in construction output; thermal insulation is to be improved in order to cut household energy consumption. Construction expenditure is to be lowered for industrial investments and, wherever possible, structures are to be modernized instead of expanded. In this medium-range conception also housing construction is still to be "the core of the socialist program." It will continue to enjoy priority.

Income and Consumption

The half-year report records the greatest success with respect to the development of private consumption: Retail trade turnover rose by 5.7 percent, the rate was 9.3 percent with regard to industrial goods and 2.4 percent for essential and nonessential foods. In this connection also we must take into account the fact that the base of the first half of 1979 was very low. At that time retail trade turnover rose by a total of only 1 percent, due to stagnation in the trade in industrial goods. Moreover we must remember the price effect. In addition to obvious price increases this was helped along by assortment shifts and the slow advance of specialty stores. According to reports in the regional newspapers more and more goods are available only in the relatively expensive "equisite" and "deli" stores. While, in 1978, official data reported the turnover in those stores at less than 2 percent of total retail trade turnover, the percentage is likely to have doubled in the meantime.

However there is a remarkable discrepancy between the development of retail trade turnover and the increase in the population's cash income. While the retail trade turnover rose by nearly 6 percent, net cash incomes increased by only 3 percent. This is an extraordinarily small growth; the raise in social security pensions of December last alone was more than 10 percent. When we eliminate this from the increase in net cash incomes, the growth of income for gainfully employed persons is no more than 1 percent. Admittedly there are some special factors which must be taken into account: The annual end of the year bonuses, for example, are rising more and more slowly because many enterprises have achieved the legally fixed upper limit (basically M900); moreover, less overtime was worked and paid in 1980 than in 1979. Still, even these elements cannot hide the fact that the latest income development is obviously lagging behind the increase customary in the past. The discrepancy with the development of turnover once again underlines the circumstance that the availability of goods rather than the development of incomes limits consumer spending.

Foreign Trade

Since the end of 1975 the GDR has not published any import or export figures. We must therefore content ourselves with computations and estimates. At the start of this year we gave here a preliminary survey of 1979 foreign trade. Meanwhile we have received data from the partner countries for all of 1979, so that it is possible now to provide a final estimate of foreign trade trends in 1979. A change in the preliminary findings arises largely from exceptionally large exports to the CEMA region, while imports from that area have barely increased. The trade balance with CEMA was therefore generally favorable, but the deficit in trade with the Soviet Union continues. Western trade yielded a record deficit of 6.5 billion valuta marks.

We have few figures for the first half of 1980. The plan fulfillment report quotes a 16 percent growth of exports; including a 38 percent rise to the developing countries and a better than 33 percent increase in exports to the Western industrial countries. Foreign trade turnover with the Soviet Union rose by 14 percent.

Partner country data available so far show major differences with respect to the various countries and groups of countries. Soviet statistics report that exports to the GDR increased by more than 25 percent in the first quarter of 1980, exports from the GDR by only 10 percent. In the goods exchange with the other CEMA countries we may assume that GDR exports increased more than imports; there are some indications also of arrears in the contractual deliveries by CEMA partners. The growth rates for imports and exports in trade with the Western industrial countries are enormous; the same applies to inner-German trade (GDR purchases: + 30 percent; GDR deliveries: More than 40 percent; in both instances January through April). However, as regards GDR purchases almost the entire increase is attributable to rising prices; as regards deliveries price increases amounted to about 15 percent.

Outlook

Planning and implementation in the last year of the current five-year plan reveal that the GDR economy now pursues changed development conceptions. The preeminence of foreign trade is more and more evident, all other sectors lag far behind. In nominal terms the GDR has succeeded in raising exports and imports to about the same extent in the five-year plan period so far completed--as long as we include all annual values. In other words the increase in exports in real terms has exceeded that of imports. This remarkable development did not manage, though, conclusively to dispose of foreign trade problems. A trade deficit with the Soviet Union has existed since 1975. In trade with the West the accumulated deficit again rose quite substantially in 1979; the rising interest burden is likely to result in a more cautious import policy.

Output has managed still to grow to a remarkable extent--despite the restrictions arising from materials conservation, the shortage of investment resources and the deficient offer to the public. Though the GDR's restrictive publication practice makes any analysis of economic development extremely difficult, we cannot fail to recognize that the slow-down in growth stopped in the second half of 1979. It is therefore logical to assume early successes for combine establishment. It remains to be seen, however, whether this is a once-only improvement in standards. It is equally uncertain whether the people will remain willing to perform, given the supply and foreign trade problems.

Table 1--Indicators on GDR Economic Development--Percentage Changes Compared to the Previous Year of the Same Period of the Previous Year

Key:

1. First half year
2. Year
3. Produced national income

[key continued on following page]

4. Industry--Industrial goods production
   In the scope of the industrial ministries
   Industrial goods production
   Productivity
5. Construction output
   Including building materials production
6. Construction industry total completed housing units) 1,000 units
   New construction)
   One-family homes)
   Modernization)
7. Agriculture--Animal market production
   Livestock stocks
   Gross crop production
8. Transportation--Volume of freight carried
   By railroad only
9. Posts and Telecommunications--Total services
10. Domestic commerce--Total retail trade turnover
    Essential and nonessential foods
    Industrial goods
11. Foreign trade--Total turnover
    Imports
    Exports
12. Investments--Total
    Industrial ministries
13. Net cash incomes of the population
14. Footnotes: 1) Including production of primary products.-- 2) Total of the state yield of slaughter cattle, milk and eggs; valued in grain units (GE).-- 3) Livestock stocks on 20 May or 20 November; valued in large animal units.-- 4) Total of crop production; valued in GE.-- 5) At current prices.-- 6) Including inner-German trade; at current prices.-- 7) Excluding major overhauls; including investments abroad; at 1975 prices.-- 8) Preliminary data.-- 9) Estimated.-- 10) By calendar month, in other words the adjustment by working day of the data mentioned in the plan fulfillment report was rescinded.-- 11) In industry.-- 12) Construction output of the Ministry for Construction.-- 13) Freight transportation services, that is the volume of freight carried related to the distance traveled.-- 14) Excluding foreign investments.-- 15) In industry.-- 16) Material investments.
15. Sources: 1979 GDR Statistical Yearbook; STATISTISCHE PRAXIS; 1980 Economic Plan (GESETZBLATT DER DDR, Part I/1979, No 45); Reports by the Central State Administration for Statistics on the implementation of plans in the first half years (NEUES DEUTSCHLAND, 15/16 July 1978, 14/15 July 1979, 12/13 July 1980) and for 1979 as a whole NEUES DEUTSCHLAND, 17 January 1980; BIULETYN STATYSTICZNY, No 4/1980, also DIW computations and estimates.

Table 2--Plan Estimates for Industrial Goods Production in the Sphere of the Industrial Ministries in the 1976-1980 Five-Year Plan Period

(1) Bereich des Ministeriums für ...	(2) Zuwachs 1980 gegenüber 1975 in vH[1]		(3) Volkswirtschaftsplane der Jahre ...[3]				
	(4) gesamt	(5) jährlich[2]	1976	1977	(6) 1978	1979	1980
			Zunahme gegenüber dem Vorjahr in vH				
Kohle und Energie (7)	28,4	5,1	4,9	3,9	4,8	4,9	4,4
Erzbergbau, Metallurgie und Kali (8)	27,3	5,0	4,9	4,0	3,4	2,9	4,3
Chemische Industrie (9)	44,5	7,6	7,4	6,2	6,7	5,8	5,7
Elektrotechnik, Elektronik (10)	45,7	7,8	7,7	7,0	8,7	8,7	7,3
Schwermaschinen- und Anlagenbau (11)	39,6	7,0	6,2	6,4	6,7	6,2	6,0
Werkzeug- und Verarbeitungsmaschinenbau (12)	56,0	9,3	9,1	7,6	8,0	7,5	7,8
Allgemeiner Maschinen-, Landmaschinen- und Fahrzeugbau (13)	42,0	7,3	6,6	7,2	6,7	7,9	7,1
Leichtindustrie (14)	40,0	7,0	7,4	5,2	5,9	3,9	2,4
Glas- und Keramikindustrie (15)	44,1	7,6	8,5	7,2	6,9	5,0	6,2
Bezirksgeleitete Industrie und Lebensmittelindustrie (16)	33,5	6,0	6,7	6,1	5,9	5,5	4,4
Industrieministerien, insgesamt[4] (17)	37,9	6,6	6,7	6,0	6,2	5,8	5,4

1) Ansätze des Fünfjahrplans 1976 bis 1980 (GBl. der DDR, Teil I/1976, Nr. 46, S. 524).- 2) Errechneter durchschnittlicher jährlicher Zuwachs.- 3) GBl. der DDR, Teil I: 1975, Nr. 46, S. 740; 1976, Nr. 46, S. 533; 1977, Nr. 37, S. 415; 1978, Nr. 42, S. 458 und 1979, Nr. 45, S. 458.- 4) Einschließlich Ministerium für Geologie. (18)

Key:

1. Sphere of the Ministry for...
2. 1980 percentage growth compared to 1975
3. Annual economic plans for...
4. Total
5. Annual
6. Percentage increase compared to the previous year
7. Coal and Energy
8. Ore Mining, Metallurgy and Potash
9. Chemical Industry
10. Electrical Engineering and Electronics
11. Construction of Heavy Machinery and Equipment
12. Construction of Machine Tools and Processing Machinery
13. Construction of General Machinery, Agricultural Machinery and Vehicles
14. Light Industry
15. Glass and Ceramics Industry
16. District Managed Industry and Foodstuffs Industry
17. Total industrial ministries
18. Footnotes: 1976-1980 Five-Year Plan estimates (GBl Part I/1976, No 46, p 524).-- 2) Computed average annual growth.-- 3) GBL Part I/1975, No 46, p 740; 1976, No 46, p 533; 1977,No 37, p 415; 1978, No 42, p 458; 1979, No 45, p 458.-- 4) Including Ministry for Geology.

Table 3. GDR Foreign Trade by Groups of Countries

	(1) Ausfuhr			(2) Einfuhr			(3) Umsatz			(4) Saldo	
	(5) in Mrd. VM[2]		(6) Zuwachs in vH[3]	(5) in Mrd. VM[2]		(6) Zuwachs in vH[3]	(5) in Mrd. VM[2]		(6) Zuwachs in vH[3]	(5) in Mrd. VM[2]	
	1978	1979		1978	1979		1978	1979		1978	1979
Alle Länder (7)	46,2	52,4	13	50,7	56,4	11	96,9	108,8	12	- 4,5	- 4,0
davon:											
Sozialistische Länder (8)	34,4	38,5	12	35,5	36,4	3	69,9	74,9	7	- 1,1	+ 2,1
dar.: RGW-Länder (9)	32,8	36,9	13	33,9	34,7	3	66,6	71,6	7	- 1,1	+ 2,1
Westliche Industrieländer[4] (10)	9,1	10,9	20	12,9	17,4	35	22,0	28,3	29	- 3,8	- 6,5
Entwicklungsländer (11)	2,7	3,0	11	2,4	2,7	13	5,0	5,7	13	+ 0,3	+ 0,3

(12) 1) Zu jeweiligen Preisen; Wertstellung fob; Verkäufer- bzw. Käuferland.- 2) VM = Valuta-Mark, statistische Recheneinheit zum Ausweis des Außenhandels der DDR; Umrechnungskurs: 4,67 VM = 1 Transfer-Rubel (TRbl); der Umrechnungskurs zu den westlichen Währungen schwankte mit den Paritätsänderungen zwischen dem Rubel und den konvertiblen Währungen; für 1979 galt: 1 VM = 0,599 DM.- 3) Gegenüber 1978.- 4) Gruppenausweis "Kapitalistische Industrieländer".

(13) Quellen: Berechnungen und Schätzungen des DIW anhand der Angaben in: den Planerfüllungsberichten 1978 und 1979, dem Statistischen Jahrbuch und dem Außenhandelsjahrbuch Polens, dem Statistischen Jahrbuch des RGW sowie Partnerlandangaben.

Key:

1. Exports
2. Imports
3. Turnover
4. Balance
5. In billion valuta marks
6. Percentage increase
7. All countries
8. Socialist countries
9. CEMA countries
10. Western industrial countries
11. Developing countries
12. Footnotes: 1) At prevailing prices; value date fob; seller or buyer country.-- 2) Valuta marks--statistical accounting unit used for GDR foreign trade; conversion rate 4.67 VM equals 1 transferable ruble (TRbl); the rate of exchange with Western currencies fluctuated with the changes in parity between the ruble and convertible currencies; the rate for 1979 was 1 VM to DM0.599.-- 3) Compared to 1978.-- 4) Group return "capitalist industrial countries."
13. Sources: DIW computations and estimates based on data in 1978 and 1979 plan fulfillment reports, the statistical yearbook and foreign trade yearbook of Poland, the CEMA statistical yearbook and data from partner countries.

FOOTNOTES

1. NEUES DEUTSCHLAND, 12/13 July 1980.

2. DIE WIRTSCHAFT, No 3/1980.

3. See the pertinent orders in GESETZBLATT DER DDR, Part I, No 18/1980, p 165, and No 19/1980, p 185.

4. In March 1979 the GDR Central Administration for Statistics stopped monthly reports. Since that time no short-term analyses by industries have been possible.

5. "We now know that only insignificantly more crude oil will be available for oil processing through 1990," DIE WIRTSCHAFT No 7/1979, p 19.

6. PRESSE-INFORMATIONEN, No 3/1980, p 2.

7. BAUERNECHO, 6 June 1980.

8. Joint Directive by the SED Central Committee Politburo, the GDR Council of Ministers and the FRGE Federal Executive Board on the preparation of the 1981 plan, in NEUES DEUTSCHLAND, 8 July 1980, p 3.

9. Plan and actual data are not fully comparable due to different investment interpretations (plan: "material investments" equals production of investments, including incompleted projects; actual: "investments" equals investments completed in the half year under review.

10. See NEUES DEUTSCHLAND, 20 June 1980.

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MINISTER INTERVIEWED ON SITUATION OF CONSUMER GOODS SUPPLY

Budapest NEPSZABADSAG in Hungarian 21 Sep 80 p 5

[Interview with Vilmos Saghy, Minister of Domestic Trade, by Csaba Egerszegi: "On the Supply of Goods"]

[Text] Just as everyone in Hungary understands soccer, everyone understands trade, because we, the buyers, receive daily impressions, good or bad, in the shops we visit. The goods available in our shops and stores are a partial reflection of our work and our economic life. And while production of goods takes place mostly behind plant doors, the work of trade is open. The smallest mistake in this area can be seen and felt immediately. Therefore the availability of goods, and contact with consumers, are also political questions. Supply of goods to the population is an important part of our policy concerning the standard of living. The importance of this was given strong emphasis in the 12th Congress, as well as in the June session of the Central Committee, considering the economic tasks of the current year. Accordingly one of the main tasks before us in economic work is to provide for an appropriate supply of goods. We asked Dr Vilmos Saghy, minister of Domestic trade, how we can accomplish this.

[Question] In the current phase of our development, trade is not concerned just with supplying sufficient quantities of basic products. We also require that within each particular line of goods the buyer be able to find in the stores the thing he is looking for. So the variety of goods available is an important qualitative element of the standard of living. For this reason we will begin our conversation with the facts: How would you describe the supply of goods this year?

[Answer] It is difficult to give an unambiguous answer to this question. More than 200,000 kinds of goods are handled in trade, and even when goods supply is good, a few hundred or a few thousand items can be unavailable. Goods supply to the population is determined mainly by whether there is a continual availability of goods. In order to evaluate our present situation, we must look back at the end of last year and the beginning of this. Then we had greater than usual purchases of building materials, durable consumer goods, and some clothing items. At the same time, however, several branches of industry failed to fulfill their

delivery quotas. In the first quarter of this year commercial inventories declined by 10 percent. During this period--even though there was a continual supply of food, basic clothing items, and fuel--the list of unavailable items grew in several areas of production.

The government has made great efforts to increase the inventory of goods and to eliminate deficiences as quickly as possible. We have increased production of many clothing items, automatic washing machines, color televisions, and building materials. We have restricted purchases by governmental organizations, partly through economic and partly through administrative measures. All of this was done in order to increase the amount of goods available to the population. Enterprises engaged in domestic and international trade have been substantially more active in making import agreements with socialist countries. This year the quantity of goods arising from exchanges and from local traffic along the borders is increasing. We have increased somewhat purchases of consumer goods from developing and capitalist countries. The trade enterprises have also expanded their earlier activities in making production agreements.

As a result of these measures, the number of unavailable goods is decreasing gradually, and trade inventories by the end of August were 10 percent above the level of the same time last year. This year supply of basic items such as food was continual and abundant. We had difficulties in vegetables and fruits because of weather factors that delayed ripening. The amounts of these items offered for sale declined and prices increased. In recent weeks, however, supply has increased significantly and prices have moderated.

Supply of baby foods has improved significantly. The same cannot be said of products for diabetics, unfortunately. During the past 8 months our inventory of clothing items has gradually increased and therefore supply has also improved. But the supply of knitted clothing and stockings has been insufficient, even though in recent times supply of these has become more evenly balanced. The supply of electrical and chemical products has improved, as has that of cultural items. In recent times, for example, electric heaters, automatic washing machines, color televisions, and furniture have been available much more continually than last year. Nevertheless, many items are still unavailable. This situation was somewhat ameliorated by reorganization of production and by imports, to be sure, but we are still far from creating a normal situation.

[Question] Staying with electrical products: it is especially irritating that there are not many inexpensive goods. While store windows have a large variety of record players and stereo radios costing more than 5,000 forints, the much cheaper monaural machines are difficult to obtain. There is a similar deficiency in middle-priced cameras as well. Why?

[Answer] In these products we obtain our supply from socialist imports. The difficulties are caused by problems in delivery. Our imports of cameras have decreased greatly because we cannot obtain as many as we need even from our biggest suppliers. Because we have no way of producing these goods domestically we cannot count on a fast improvement in their supply.

[Question] How have this year's price changes affected consumer attitudes?

[Answer] Because of the effect of the changes in relative consumer prices, consumption of large cuts of meat and of meat products has decreased, while consumption of poultry, milk products, and bacon has increased. Because of price decreases, demand for knitted clothing, stockings, worsted fabrics, and jerseys, as well as for items made from these fabrics, have increased. Because of price increases, on the other hand, demand for shoes and leather goods has decreased.

The new pricing mechanism in the first 4 to 5 months of this year has placed heavy burdens on workers in trade. As is well known, the wholesale prices of industrial items have not changed during this period. It is estimated that this affects about 100,000 items. Every article had to be relabeled on the basis of the new prices, and this task tied up workers in shops to a great extent. At the same time the consumers in many cases did not understand why prices for the same goods in stores belonging to different enterprises were different. This was dependent on where and when goods were obtained at the new prices.

[Question] In what way has the area of free-priced items been expanded, and how has the level of prices changed?

[Answer] Formerly 45 percent of products belonged to the category of free prices, and other prices were controlled by the state. The area of free prices has been expanded to 55 percent by this time. The price level of consumer items this year is expected to rise by 9 percent.

[Question] Sellers repeatedly complain that they are at the mercy of the producers, because of their monopoly situation. How has the relationship between trade and industry evolved in recent times?

[Answer] For some consumer items, trade would still buy much more from domestic producers than they can offer. From time to time, however--and I hope that this will be more frequent in the future--there is occasionally a greater supply than is necessary for domestic consumption. It is true of course in our country that there is a different factory making each of the following: refrigerators, washing machines, stockings, and enamelware. But this is not to say that the producers of these items enjoy a monopoly situation in the domestic market, because in many areas we can strongly increase competition in regard to variety, quality, and prices, through imported products. For example, Romanian rustic furniture, modular furniture from the GDR, Bulgarian work clothes, Czechoslovak men's suits, and Polish raincoats are creating significant competition for our industry.

It was characteristic of deliveries from domestic industry that during the first half of this year penalties for failure to fulfill agreements made with trade increased by nearly 50 percent compared to the previous year. It is welcome news that since April-May of this year, deliveries in accordance with agreements have gradually been improving. It is worth mentioning that one fourth of the penalties were imposed because of failure to meet quality requirements. Improvement in the quality of consumer goods has nevertheless been slow. The trade enterprises and the cooperatives are often forced--for want of sufficient quantity of goods--to accept delivery of inferior-quality goods from the producers.

[Question] Many believe that more and more items are unavailable because of reorganization of the structure of industry. What can trade do and what is it doing to decrease the area of unavailable goods?

[Answer] First I would like to make a correction. In my opinion the number of unavailable items has decreased. Today it is possible to obtain many products they could not be purchased last winter and at the beginning of this year. Think about durable consumer goods, building materials, stockings, knitted clothing. Some of the deficiencies were not due to the reorganization of the structure of production, but to other problems, such as frequent failure to measure demand sufficiently, difficulties in supply of materials, poor organization of production, lack of capacity, and limited import capabilities. Some deficiencies are especially irritating because the items in short supply could be manufactured with a little better planning and organization.

Regarding the reorganization of the structure of production, I think it has been advantageous to the economy as a whole, and also for trade in particular. Beyond all doubt it has been a good thing that, for example, through the Bosch license we can sell a new refrigerator that meets world standards, a modular television has appeared, and new soap and other washing products have appeared on the domestic market.

[Question] Unfortunately, there is not enough of precisely these up-to-date products. Would it not be better to wait until there is a sufficient quantity available before selling them?

[Answer] I think not, because it is a good thing to arouse demand for good things, since that is a stimulus to domestic production. This is because market pressure encourages the enterprises to meet domestic needs.

[Question] How does our importing of consumer goods serve to improve supply?

[Answer] Nineteen percent of the supply to the population consists of consumer goods coming from abroad. Without imports we could not even talk about good supply, because half of the imported goods are things that we do not produce here at home at all. Some of these are coffee, lemons, fish fillets, passenger cars, cameras, wristwatches, etc. The other half mainly supplement domestic production, and only a small portion, 8-10 percent, serve to expand the variety of goods available. Beyond this, an important import task is to create competition, to encourage domestic industry to produce better and more modern products.

[Question] Regarding imports of consumer goods, how do you rate the relationship between enterprises in domestic and foreign trade? Do the foreign trade enterprises represent the requirements of domestic trade adequately?

[Answer] In my opinion the first task is for the domestic-trade enterprises with their knowledge of domestic needs to work with foreign-trade enterprises to increase their efforts to open up markets. We must know better then we do today what can be obtained on the socialist market, and we must make use of our knowledge in negotiations between countries and in making private agreements. Going beyond that: within the framework of CEMA cooperation we must encourage our socialist partners to produce goods not manufactured here.

To answer the second part of the question, I must say that some of the foreign-trade enterprises do not understand sufficiently their tasks under the present system of commissions, and the domestic-trade enterprises do not make enough use of their rights in this area. It is important to see that here the consigner is domestic trade and the consignee is foreign trade. Accordingly, foreign trade has to do the work. It is also true that in some cases they have mutually overlooked each other's mistakes.

[Question] Wouldn't it be appropriate to give some domestic-trade enterprises the right to import, in order to make imports more efficient?

[Answer] Yes, I think that would be useful in some areas, and negotiations for it are already underway with the foreign-trade enterprises.

[Question] It is still an everyday complaint, especially in the capital, that shopping environments are inadequate. How do you rate the Fifth Five-Year Plan's investments in trade and in development of the network?

[Answer] According to our plans, the basic area occupied by small trade will be 900,000 square meters larger in 1980 than in 1975, which represents an increase of 15 percent. About one third of the developments have been for units with a large basic area (department stores, shopping centers, self-service eating places). So here we are dealing not only with a quantitative, but also with a qualitative change. I think that shopping environments in the countryside have improved significantly. The situation is different in Budapest, where only 120,000 square meters of the planned 180,000 square-meter development was accomplished. For precisely this reason we must pay more attention in the period ahead to developing the trade network in the capital and its suburbs.

This much can be said about the results, however. Thanks to the efforts of state enterprises and retail cooperatives, the following were built during the Fifth Five-Year Plan: the Skala department store, the Florian shopping center, the Centrum department store in Kobanya, department stores in Gyor, Bekescsaba, Szekesfehervar, Debrecen, Dunakesz, and Komlo, the Domus department store in Szeged, and in addition many ABC self-service eating places and "basic kitchens." This year the nation's largest shopping center will begin operation at Ors Vezer square, and large department stores will be dedicated in Szeged and Sopron, as well as a department store in Esztergom."

[Question] This week a new regulation appeared concerning a new method of operation for small trade units. What do you expect from this measure?

[Answer] The operation and accounting system of the shops and public accommodations has not kept pace with development. In the interest of better supply for the population and more efficient accomplishment of the tasks of trade, we are planning to introduce a new method of operation for shops with a small work force that will adapt flexibly to requirements. The method, which has been approved by the Cabinet, is based on great independence and direct financial interest on the part of the shop manager. We expect self-starting initiatives, better goods supply, variety of goods and time of opening and closing adjusting to needs, and more polite and faster service through freeing management from various administrative responsibilities and giving them a greater financial interest.

[Question] Insufficient work force is still a burning question in trade. What do you plan to make sure there will be enough sales people and businessmen?

[Answer] During the current plan period the work force in retail trade is expected to rise by 5 to 6 percent. We only have to talk about shortages in the work force in Budapest and a few other large cities. There is no doubt, on the other hand, that the number of workers in small stores and public accommodations in Budapest has decreased. The food trade and the department store network are struggling with the biggest problems. In my judgment we cannot count on an increase in the work force in Budapest trade even in the future. For this reason one of the main tasks of organization of work and operations is better utilization of hidden possibilities.

We are continuing to spread and improve the system of self-service; we are paying more attention to the organization of transportation of goods (containerization, synchronized deliveries) and mechanization of heavy physical labor and warehouse work. I believe that the work force situation will also be alleviated if we can set hours of opening and closing to correspond with consumers' habits.

Seventy percent of the workers in trade are female, so we must make great efforts to solve their social problems. Here we are talking not just about the heavy physical work mentioned before, but also, among many other things, about assisting them in placing their children in kindergartens and nurseries. We want to increase employment of retired persons, part-time workers, and housewives as well. Besides this, as far as our financial strength permits, we must increase incomes, and we must insure better financial and moral recognition of those businessmen, and storeclerks who work honestly and hard.

[Question] Our final question: What can be expected in goods supply during the remainder of this year?

[Answer] In coming months we expect a continual strengthening of the improving trend that has been experienced so far this year, since the favorable influence of the state measures mentioned above will be felt in the second half of the year. Furthermore, a larger fraction of this year's imports will arrive in our country during the second half, making for a more colorful variety of goods available in the shops at the end of the year.

There will continue to be an abundant supply of basic foods. In the remainder of this year, the supply of live fish and of baby foods will increase, and we will have a quantity of oranges and bananas for sale comparable to last year's. The supply of clothing items will improve noticeably. But besides this, it is still possible that one item or another sought by consumers will be unavailable in the stores. We expect a balanced market in durable consumer goods--with a few exceptions. Trade is well prepared for the heating season: The supply of wood for fuel will be at the same level as last year.

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NATIONAL SOCIOECONOMIC PLAN FOR 1981 PUBLISHED

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["Text" of "Law on the Adoption of the Single National Plan for the Socioeconomic Development of the Socialist Republic of Romania in 1981" adopted by the Grand National Assembly at its 16-17 October session]

[Text] The Grand National Assembly of the Socialist Republic of Romania adopts the present law.

Article 1--The single national plan for the socioeconomic development of Socialist Republic of Romania in 1981 is adopted.

The principle indicators of the socioeconomic development of the Socialist Republic of Romania are the following:

--in percentages, calculated on the basis of prices on January 1, 1981--

	Indicator	Increase compared to 1980
1.	Social product	6.1
2.	National income	7.0
3.	Industrial production	
	--net production value	8.1
	--commodity-output value	7.0
4.	Average net agricultural production	9.0
5.	Fixed assets volume in the national economy	9.2
6.	Overall foreign trade volume	10.0
7.	Labor productivity in industry, based on net production value	7.0
8.	Retail sales volume in the socialist trade network	6.0
9.	Public services	13.2
10.	Remuneration fund for the working personnel	4.6

Article 2--In 1981 the net industrial production will total 331 billion lei.

Article 3--The following figures will be recorded for the principal industrial products:

Electrical power	mil. kw/h	72,700
Net coal	thou. tons	50,840
Extracted crude oil	thou. tons	12,570
Extracted methane gas	mil. cubic meters	29,550
Steel	thou. tons	14,665
Rolled steel prime material	thou. tons	11,000
	mil. lei	37,180
Primary aluminum and aluminum alloys	thou. tons	240
Electrical engines from 0.25 kw up	MW	11,600
Electrotechnical and electronic means of automation	mil. lei	6,820
Means of electronic computation technology	mil. lei	3,500
Fine mechanics and optical industry products	mil. lei	9,510
Metal cutting and kneading machine-tools	mil. lei	11,172
Industrial technological machinery and equipment	mil. lei	23,523
	thou. tons	714.6
Tractors	thou. units	80
Trucks, tractors, dump-trucks and chassis	thou. units	30
Town vehicles	thou. units	120
Electric, diesel electric and diesel hydraulic locomotives for trunk lines	units	305
Maritime freight vessels	thou. dwt	755.2
Chemical fertilizer	thou. tons, equivalent of 100 percent active substance	3,559
Basic macromolecular products	thou. tons, equivalent of 100 percent	681
Synthetic rubber	thou. tons	167
Car, tractor and plane tires	thou. units	6,010
Artificial and synthetic fibers and yarns	thou. tons	253.3
Cement	thou. tons, equivalent of 80 percent clinker	15,860
Fiberboards and particleboards	thou. tons	1,050
Wooden furniture	mil. lei	16,843
Pulp and semipulp	thou. tons	660

Paper, cardboard and pasteboard	mil. sq. meters	10,760
	thou. tons	890
Household electrical appliances and machines of which:	mil. lei	2,430
--refrigerators	thou. units	400
--electric washing machines	thou. units	325
Radio receivers	thou. units	1,100
Television sets	thou. units	670
Pharmaceuticals	mil. lei	4,590
Household glassware	mil. lei	1,300
Fabrics	mil. sq. meters	1,317.8
	mil. lei	31,827
Knitwear	mil. lei	14,850
Textile clothes	mil. lei	34,430
Footwear	mil. pairs	120.8
	mil. lei	12,080
Meat (including edible byproducts) of which:	thou. tons	2,126
--slaughterhouse meat	thou. tons	1,214.5
Fresh milk	thou. hectoliters	6,220
Butter	thou. tons	41.1
Cheese	thou. tons	126
Edible oil	thou. tons	345
Sugar	thou. tons	660
Canned vegetables and fruit, including tomato paste	thou. tons	499
Crude wine	thou. hectoliters	6,250
Beer	thou. hectoliters	11,200

Article 4--The Council of Ministers shall take measures so that the ministries and other central bodies, the executive committees of people's councils of the counties and of Bucharest Municipality, the working people's councils in centrals and enterprises, the State Planning Committee, the Ministry of Technical-Material Supply and Control of the Management of Fixed Assets, the Ministry of Foreign Trade and International Economic Cooperation, and the Ministry of Finance insure:

a) the complete fulfillment of the physical production plan in the structural ranges envisaged and the net production value, endeavoring to insure smooth manufacture processes in all economic units and to exceed plan provisions for products which require less energy and raw materials and for which there is a secure market, on the basis of contracts or firm domestic and foreign orders;

b) optimal utilization of the production potential of the industrial enterprises, by intensifying the degree of utilization of the machines, installations, equipment and available facilities, expanding mechanization, raising the cadres' level of skills, and strengthening labor discipline; technical assistance on all shifts, by appropriately assigning the technical cadres;

c) operation under safer conditions of installations, machines and equipment, by eliminating breakdowns in the production process and reducing the out-of-service time during repairs, and improving the quality of maintenance, check-up and capital repair work; securing the necessary spare parts by fully utilizing resources in this area, and adopting measures to recondition a larger amount of used components and subunits;

d) continuous increases in the technical and qualitative level of all products, by intensifying the assimilation, modernization, up-dating and standardization of products, designing and utilizing new and better materials and highly productive machinery and installations with lower energy consumption;

e) more efficient utilization of raw and other materials, fuel and energy, by improving production ranges and expanding technical progress and modern technology;

f) rigorous observance of delivery schedules based on provisions included in the unitary program of cooperation in production among ministries, centrals, enterprises and counties, in close correlation with production requirements and with strict observance of contract stipulations;

g) further modernization and diversification of the structural range of consumer goods production, according to quality classifications; expansion of small-scale industry production, based on extensive utilization of local resources or raw material, recyclable and recoverable materials.

Article 5--Given the conditions of a normal agricultural year, a net production of 73.8 - 82.2 billion lei is envisaged for 1981. The following yields of major agricultural products are envisaged:

	unit of measurement	total	of which: state agricultural units
Grain	thou. tons		
--total		23,740	5,522
of which:			
--wheat and rye	thou. tons	6,505	1,057
--corn	thou. tons	13,710	3,105

Sugarbeet	thou. tons	8,800	-
Sunflower and rape	thou. tons	1,100	190
Soybeans	thou. tons	765	313
Hemp and flax for fibers	thou. tons	573	12
Flax for oil	thou. tons	101	15
Fall potatoes	thou. tons	5,350	315
Field vegetables	thou. tons	5,200	1,320
Fruit	thou. tons	2,440	510
Grapes	thou. tons	2,025	448
Meat on the hoof	thou. tons	2,895	991
Cow's milk	thou. hectoliters	56,300	10,095
Wool	tons	42,500	10,330
Eggs	mil. units	7,175	2,014

Article 6--The arable land under cultivation will be at least 9.881 million hectares.

The irrigated agricultural land under cultivation will be 2.405 million hectares, including arable land of 2.241 million hectares.

Article 7--By the end of 1981, the number of livestock will be as follows:

	total	of which: state agricultural units
Cattle	6,940,000	1,070,000
of which:		
--cows and heifers	3,410,000	463,000
Pigs	13,000,000	5,800,000
of which:		
--sows	1,470,000	820,000
Sheep and goats	17,500,000	2,630,000
Egg-laying fowl	60,000,000	17,535,000

Article 8--In 1981 the material base of agriculture will develop as follows:

a) the agricultural sector will be supplied with 14,300 tractors; 6,000 self-propelled combines for harvesting corn; beet harvesting combines, potato-harvesting machines and other agricultural machinery and equipment;

b) 195,000 hectares of land will be set up for irrigation;

c) drainage work will be carried out on an area of 100,000 hectares, and work to combat soil erosion will be done on an area of 90,000 hectares;

d) the agricultural sector will be supplied with 1.7 million tons of chemical fertilizers containing nitrogen, phosphorus and potassium, and 51,000 tons of pesticides in terms of active substance.

Article 9--In order to achieve the agricultural production envisaged in the plan, the Council of Ministers shall take measures so that the Ministry of Agriculture and the Food Industry, the National Union of Agricultural Production Cooperatives, the Academy of Agricultural and Silvicultural Sciences, county agricultural bodies and joint state and cooperative agroindustrial councils will insure:

a) rational utilization of all agricultural and arable land; complete and efficient utilization of land set up for irrigation; application of judicious crop rotation systems in the area of each agroindustrial council;

b) an increase in the productive potential of agricultural land by carrying out land-improvement projects, eliminating excess humidity, combatting soil erosion and salinization, and irrigating the entire area prepared for this purpose;

c) securing high-quality seeds and seedlings for all crops adapted to the soil and climate conditions in each area; performance of agricultural operations at the optimal time, and strict observance of the methods employed for each crop;

d) further improvements in the production and utilization of vegetables, potatoes and fruit in order to better meet consumer requirements throughout the year, as well as industrial and export requirements;

e) performance of fruit-tree and vineyard maintenance work, modernization and creation of new planted areas in intensive and superintensive systems, with a view to achieving larger yields of fruit and grapes;

f) expanded mechanization of agricultural operations, efficient utilization of the entire fleet of tractors and agricultural machines by directly integrating sections of stations for the mechanization of agricultural units; performance of agricultural operations on time and on a high qualitative level, efficient administration of chemical and natural fertilizers, and of herbicides and pesticides;

g) increases in the number of livestock and in average and overall animal production, by implementing the measures established on selection, breeding and improvement of livestock species, especially of cattle and sheep, increasing the birth rate and reducing the death rate; the development and modernization of industrial-type livestock complexes, and of animal husbandry and fish breeding farms;

h) the development of fodder production by increasing average yields of fodder crops and natural grazing fields per hectare; expansion of second crops,

particularly on irrigated land, and more extensive use of bulk fodder and by-products, increasing their nutritive value;

i) the harvesting, storing and conditioning of agricultural products on schedule and without losses, with a view to insuring high quality;

j) increases in the efficiency of economic activities in all joint agroindustrial state and cooperative councils and agricultural units; reduction of material expenditures; increases in labor productivity; improved product quality, and reduction of raw and other materials, fuel and energy consumption.

Article 10--In 1981, 21 million cubic meters of wood material will be put into the economic circuit, of which 20.885 million cubic meters will be derived from principal and secondary (thinnings) forestry products; an additional volume of 1.7 million cubic meters of wood material will be made available through forest maintenance operations, thinning and intermediate cutting.

The Council of Ministers shall take measures so that the Ministry of Forestry Economy and Construction Materials and the other plan holders will insure:

a) the achievement of complete afforestation and reforestation on an area of 40,000 hectares, of which 13,900 hectares will be earmarked for special species for the production of wood for pulp; resinous species will make up 60-65 percent of the total afforestation volume in the forest stock;

b) strict application of legal provisions on speedy reforestation of available land areas, and of limitations on turning forest land to other purposes and on clearing forests to use the land for other purposes;

c) the development and diversification of hunting, and fishing in mountain waters and in specialized units; expansion of fruit bush plantings and intensified utilization of forest fruit, medicinal plants and other by-products growing wild;

d) strict observance of legal provisions on the age at which various species of trees may be cut in mature forests and on the diameter of trees to be cut, in relationship to the growing conditions and production classification of the respective forest; trees felled by the wind shall be the first to be utilized.

Article 11--Work will be carried out in 1981 to commission new multipurpose reservoirs totaling 154 million cubic meters; anti-flood dams will be built on an area of 262 km around populated centers and agricultural land; watercourse rectification and bank protection and consolidation work will be carried out on stretches totaling 396 km.

Article 12--The Council of Ministers shall take measures so that the ministries, other central bodies, working people's councils in centrals and enterprises, committees and executive bureaus of people's councils together with the National Council for Waters and the National Council for Environmental Protection will apply the measures included in the program on environmental protection, insuring:

a) the coordination of hydrotechnical work with the programs on complete utilization, complex improvement and rational utilization of waters within their respective hydrographic basins, in correlation with regional development planning;

b) judicious utilization of water resources for drinking and industrial purposes, irrigation, electric power production, navigation, fish-breeding and other purposes; increased rate of recycling of industrial waters and great reduction of losses; purification of waste waters and utilization of purification installations at full capacity.

Article 13--In 1981 the total volume of internal goods transportation will be 3.2 percent larger than in 1980.

Article 14--The material base of transportation of general use will be increased through the addition of 170 diesel and electric locomotives; 4,900 freight cars with the equivalent of 4 axles; dump-trucks and trailers with a total capacity of 40,200 tons; nonpropelled river vessels with a total capacity of 114,500 tons; 10 river tugboats and pusher tugs, and maritime vessels totaling 268,000 dwt.

Article 15--In 1981 the volume of post and telecommunication activities will be 4.1 percent larger than in 1980, as a result of intensive utilization of existing facilities and development of the telephone-telegraph sector, modernization of the technical-material base, further automation of the interurban telephone network through the connection of additional localities to it, and expansion of the radio and television network; the quality of all post and telecommunication services will increase.

Article 16--The Council of Ministers shall insure that the Ministry of Transport and Telecommunications, the Ministry of Technical-Material Supply and Control of the Management of Fixed Assets and the plan holders take measures to markedly improve supplies and transportation between suppliers and users; judiciously allocate transportation means; continuously intensify the degree of utilization of the fleet of transportation means; organize road transport of high-capacity vehicles in shifts; expand the utilization of trailers; reduce fuel and energy consumption, and intensively utilize the material base of the post and telecommunications sector.

Article 17--In 1981 the overall volume of investments in the national economy will total 220 billion lei.

The following investment funds will be alloted to the main branches of the national economy:

Branch	billion lei
Industry	118.0
Constructions	7.5
Agriculture, silviculture, water management	31.3
Scientific research and technological development	2.3

Transport and telecommunications	23.9
Trade, public catering, tourism, technical-material supply	5.4
Education, culture, health	4.1
Housing construction (including bachelor hostels)	18.8
Communal administration	5.2

Some 750 major industrial and agricultural production facilities will be commissioned in 1981.

Some 1.8 billion lei will be invested in antipollution measures.

Article 18--The council of Ministers shall take measures so that all investment planholders, equipment producing centrals and ministries, the centrals and ministries which have design and construction assembly organizations subordinated to them, together with the council for coordinating investment activities, the Ministry of Technical Material Supply and Control of the Management of Fixed Assets, the National Council for Science and Technology, the Ministry of Finance, the Ministry of Foreign Trade and International Economic Cooperation, the Ministry of Industrial Construction, the Committee for People's Councils problems, the State General Inspectorate for Investments-Construction, the Central Institute of Research, Design and Direction of Construction and the financing banks will insure:

a) that activity be focused on commissioning the production capacities under construction on schedule; that the construction of new production capacities be started only after the execution plans have been approved and all conditions have been created to carry out these plans;

b) the strict observance of provisions in the schedule for achieving planned parameters by taking measures while the investment targets are being carried out, aimed at: the execution of construction-assembly work, insuring the delivery of equipment and materials in accordance with investment schedules; observing the periods of mechanical and technological tests envisaged and at securing the skilled manpower required to carry out those tests under optimal conditions; appropriately organizing the participation of specialists from recipient units in assemblying the equipment and carrying out tests; training the manpower to properly operate the commissioned capacities;

c) the adoption, in investment plans for current and new construction work, of the most efficient technological and construction solutions aimed at not exceeding the construction material quota; at reducing the use of materials whose processing requires a lot of energy, reducing metal and cement consumption; at insuring, when in operation, a m[illegible]ergy and fuel consumption and at increasing the efficiency of invest[illegible] limiting the size of industrial and agrozootechnical construction strictl[illegible]n keeping with the given technological processes; at expanding the use of standardized materials, construction elements and installations and of local materials and resources;

d) the smooth activity of all construction-assembly worksites; the expansion of the mechanization and industrialization of construction-assembly operations

and of modern building technologies; intensified cooperation between investment recipients, design and construction-assembly organizations and equipment suppliers;

e) limiting the supplies of transportation means, machine-tools and equipment for building and road construction and other equipment by taking measures aimed at achieving the planned volume of activity by improving the utilization index of existing transportation means and equipment.

Article 19--In 1981, 2,520 main scientific research and technological development projects are included in the plan which will contribute to making better use of raw materials, raising the technical and qualitative level of production, reducing material consumption, expanding the mechanization and automation of manufacturing processes and rapidly increasing the overall efficiency of the production process.

New products and materials will be assimilated, so that in 1981 the new and modernized products that will be produced for the first time that year will account for 12 percent of the commodity output achieved in the processing branches of national industry.

Article 20--The Council of Ministers shall take measures so that the ministries, centrals and enterprises, together with central institutions and specialized academies, units for scientific and technological research, under the unitary coordination of the National Council for Science and Technology and in cooperation with the State Planning Committee and the Ministry of Technical-Material Supply and Control of the Management of Fixed Assets, will insure that research workers focus their attention on important problems of socioeconomic development, especially on the larger use of their own research in the production process and a more rapid application of licenses acquired, and on the development of technologies and products on the basis of licenses assimilated with a view to:

a) intensifying geological prospecting and exploration in order to identify new industrial resources of useful minerals, particularly hydrocarbons and ferrous and nonferrous ores; increasing the final index of crude oil recovery from deposits; introducing deposits with poor contents with rare and dispersed metals into the economic flow to a greater extent; continuously increasing the number and recovery level of elements contained in the mineral production;

b) utilizing new energy, fuel and synthetic fuel sources and all categories of secondary energy resources derived from production and consumption processes; reducing specific consumption of energy and fuel in all fields of activity; producing equipment and materials characteristic of the programs for introducing new energy, fuel and engine fuel sources;

c) introducing and expanding modern technologies to make better use of all categories of materials under conditions of higher economic efficiency; improving existing technologies, so as to reduce consumption of production materials, to increase the efficiency of equipment and installations and to continually improve the technical and qualitative level of production;

d) producing new materials with reduced consumption of low energy, fuel and scarce raw materials, with better technical-economic characteristics, intensively replacing expensive and scarce materials, especially imported ones;

e) producing better categories and types of machines, equipment, apparatuses and installations characterized by greater efficiency, endurance and viability, by reduced energy consumption and specific weight and by a technical-economic and operational performance matching the level of the most advanced equipment on the world level and capable of insuring the implementation of investment programs, highly technical equipment for the branches and subbranches of our economy and industry to substantially contribute to diversifying and advantageously structuring exports and cutting back imports;

f) enhancing the contribution of scientific research and technical engineering to organizing and programming the production process on scientific bases and improving the maintenance and repair of equipment, machines, installations and aggregates, expanding mechanization and automation in the production process and improving labor productivity and economic efficiency in all fields of activity.

Article 21--The Ministry of Technical-Material Supply and Control of the Management of Fixed Assets, the State Planning Committee, the National Council for Science and Technology, the Ministry of Finance and the banks, together with the ministries, centrals and enterprises, the executive committees of the people's councils of the counties and of Bucharest Municipality shall take measures to rationally manage planned material resources by observing a strict savings system. Thus they are responsible for:

a) securing the material base of the plan and the planned stock of raw and other materials in keeping with the production requirements in each unit; the strict observance of the provisions of economic contracts concluded;

b) the strict observance of consumption norms and rates envisaged by the plan; the utilization in the production process of certain substitutes; cutting back losses in the handling operations, storage and transportation of products;

c) reducing energy consumption in all forms by increasing energy efficiency, modernizing energy consuming installations, improving manufacturing technologies and the structure of the production process and by expanding heat recovery; by increasing the quantity of energy obtained from new energy sources; by recovering and utilizing the energy, fuel and thermal sources envisaged in the plan;

d) reducing the product weight and the maximal saving of metals in machine-building by redesigning products with a high metal consumption, improving manufacturing technologies, by a rational centralized conversion and sawing of rolled steel and by reducing losses in processing, thus insuring a high metal utilization index.

Article 22--In order to best utilize resources resulting from production and consumption processes so as to meet the raw materials requirements of the economy, the Council of Ministers shall take the following measures to:

a) expand the activity of recovering and utilizing all iron and pig iron resources, steel alloys and iron alloys, nickel, copper, aluminum and other nonferrous metals, chemical products, mineral oils, rubber, plastics, wood, paper, fabrics, leather, glass, ore deposits, metallurgical slag, ashes from thermal power stations, agricultural products, foodstuffs and products from other branches;

b) fully utilize used products by reconditioning and reusing recovered materials, parts, components, subassemblies, equipment and aggregates;

c) substantially increase the degree of reusing tires, to insure the utilization of all existing capacities and the faster development of capacities for repairing and recapping tires;

d) to draw up technologies and to build capacities for the processing of recovered materials in keeping with the plan tasks envisaged for this field.

Article 38--In 1981, labor productivity calculated on the basis of the net production value, per capita, will increase 7 percent in industry and 8 percent in the construction-assembly activity compared with 1980.

Article 24--The average number of working personnel in the entire economy will total 7.435 million in 1981.

Some 300,000 skilled workers trained in vocational and specialized highschools and in short-term training courses will enter the production process in 1981.

Article 25--The Council of Ministers shall take measures so that the ministries, together with the Ministry of Labor, the State Planning Committee, the National Council for Science and Technology, the Ministry of Education and Instruction will insure:

a) the implementation on schedule of measures aimed at increasing labor productivity by improving the organizational framework of the production process and of labor in enterprises, sections and workshops, by increasing the mechanization and automation level of the production process, by improving labor norms in all branches on the basis of strictly correlating them with existing technical equipment and by reducing auxiliary and nonproductive personnel, by better organizing work shifts, by promoting the overall contract system in all sectors, expanding work to several machines and by strengthening order and discipline at each work place;

b) the implementation of provisions of programs aimed at providing, training, and giving advanced professional training to the labor force stipulated for ministries, centrals and units and counties.

Article 26--In 1981, the production costs will be reduced 12.8 lei per 1,000 lei commodity output in national industry; 11 lei per 1,000 lei commodity output in construction-assembly and 10.8 lei per 1,000 tons/kilometers in transportation compared with 1980.

The Council of Ministers shall take measures so that the Ministry of Finance, the State Planning Committee, the Ministry of Material-Technical Supply and Control of the Management of Fixed Assets, the National Council for Science and Technology, the State Committee for Prices and the Financial Bank Council, together with the ministries, the other central bodies, the centrals, enterprises, the executive committees of the peoples councils of the counties and of Bucharest Municipality insure--within the framework of the budget for incomes and expenditures of units--an efficient use of funds and the application of a strict savings system, the reduction of raw material, material, fuel and energy consumption, strong financial control, especially preventive control, the observance of norms regarding stocks and circulating capital and a better use of investment funds and of hard currency funds, and a strict observance of the financial and plan discipline so as to implement the programs of reducing production costs and material expenditure and so as to increase profits in close correlation with the single national plan and the state budget.

Article 27--In 1981, the overall volume of foreign trade will increase 10 percent compared with 1980 and hard currency incomes from international tourism will increase 13 percent.

The Council of Ministers shall take measures so that the ministries, together with the Ministry of Foreign Trade and International Economic Cooperation, the State Planning Committee, the Ministry of Finance, the National Council for Science and Technology and the Romanian Foreign Trade Bank will insure:

a) the goods planned for export by manufacturing products on schedule in the structural variety and quality required on the foreign markets; the efficient adaptation of the production process to the requirements of the foreign market by increasing the share of highly processed products;

b) intensified foreign market canvassing and the conclusion of contracts with foreign partners for the entire volume of exports and imports, under conditions of increased efficiency and with appropriate deadlines for the smooth development of our production activity;

c) the diversification of marketing forms and the acquisition of new markets, carrying out export-import operations, especially in the field of machines and equipment, and an increased delivery of blueprints, plans, technologies and technical assistance to foreign countries;

d) the full implementation of international economic and technological cooperation ventures; the intensification of negotiations with foreign partners and the initiation of new ventures to expand and increase the efficiency of our international economic cooperation and collaboration; and a greater profitability for joint companies.

The Ministry of Foreign Trade and International Economic Cooperation, the Ministry of Finance, the State Planning Committee, the economic ministries, centrals and enterprises and the foreign trade organizations shall act to achieve advantageous export and import prices, to increase the efficiency of foreign trade activity, improve returns and to insure a planned equilibrium of the trade balance and foreign payments.

Article 28--In 1981, the national income will increase 7 percent compared with 1980, thus insuring the necessary resources for the national socioeconomic development fund and for further improving the people's living standard.

Article 29--In 1981, the overall volume of retail sales through the socialist trade network will total 225.5 billion lei and the overall services will amount to 48.1 billion lei.

To better meet the people's requirements, the Council of Ministers shall insure that the council for coordinating consumer goods production, the council for coordinating and directing the supplying and providing of services to the people, the Ministry of Domestic Trade and the State Planning Committee, together with the plan-holders will take measures:

a) to fully and regularly deliver goods in a varied structural range and at a high qualitative level as was envisaged in the plan;

b) to improve the organizational framework and operation of the trade network and of service units by more judiciously distributing them throughout the country so as to efficiently meet the people's requirements;

c) to carry out retail commodity sales at the county level as envisaged by the plan and to insure balanced supplying throughout the country;

d) to fulfill the tasks for providing services and to improve their quality in keeping with the people's requirements and to efficiently make use of existing capacities and of local manpower.

Article 30--The working personnel's remuneration fund will total 227.6 billion lei in 1981, thus insuring an increase of 3.4 percent in real remuneration compared with 1980.

In 1981, the peasantry's real incomes derived from work in agricultural production cooperatives and individual households, calculated for each active person, will increase 3.3 percent compared with 1980.

The pension fund for all categories of pensioners will total 21.6 billion lei in 1981, that is an increase of 1.9 percent compared with 1980.

Article 31--The material base of education will continue to develop in 1981 in order to expand and improve all forms of linking education with production and research.

Some 10,359 places in kindergartens will be made available by the end of 1981. Some 1,573 classrooms, 16,236 places in boarding schools, 7,054 work places in school workshops and 63 gymnastics halls will be made available for elementary, secondary and technical-vocational education.

The higher education system will be equipped with new workshops, laboratories and other facilities totaling 37,580 square meters. Likewise, 3,528 places will be made available in student hostels.

Article 32--The material base of health care, social assistance and sports will be expanded; the following will be put into service: 3,000 places in nurseries, 38 medical units and dispensary-polyclinics and 5,975 hospital beds.

Article 33--In movie houses with normal screens 11,750 seats will become available, as well as 4,300 places in houses of culture and clubs.

Article 34--In 1981, 185,000 apartments and bachelor flats will be commissioned from state funds, of which 75,000 apartments will be sold to the people on the basis of state credits. The water distribution system and the sewage system will be expanded accordingly; the fleet of urban and communal means of transportation will expand.

Article 35--The Council of Ministers will take measures so that the ministries and central bodies, the working people's councils in enterprises and centrals, the executive committees of the people's council of the counties and of Bucharest Municipality will completely fulfill the 1981 plan tasks and increase the efficiency in all fields of activity.

Article 36--The indexes of the single national plan for the socioeconomic development of the Socialist Republic of Romania in 1981 will be distributed by State Council decree to the plan holders.

Article 37--The execution of the single national plan for the socioeconomic development of the Socialist Republic of Romania in 1979, adopted by law no 25/1978, is approved in keeping with the communique of the Supreme Council of Socioeconomic Development, the State Planning Committee and the Central Statistics Directorate on the fulfillment of the single national plan for the socioeconomic development of the Socialist Republic of Romania in 1979, published in the Buletinul Oficial part III, No 21, of 7 February 1980.

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ROLE OF TRADE UNIONS IN ENSURING PLAN FULFILLMENT

Bucharest MUNCA DE PARTID in Romanian Sep 80 pp 46-49

/Article by Petru Despot, deputy chairman of the Council for Economic Problems and Occupational Training of the Central Council of the General Union of Romanian Trade Unions: "Trade Unions Support Plan Fulfillment in Last Year of Five-Year Plan"/

/Text/ The record of progress made in the 4½ years of the current five-year plan as well as the preliminary figures on fulfillment of this year's plan bear out the dedication and mobilizing power of the working class and the entire people in implementing and exceeding the tasks based on the decisions of the 12th Party Congress.

Under the management of the party organs and organizations, the trade unions used the means at their disposal to mobilize workers in socialist competition, to expand and generalize progressive methods and suggestions in production, to promote innovations and inventions, to involve the workers more regularly in mass scientific-technical creativeness, etc., making their contribution to the workers' achievements.

Emphasis Upon Fulfillment of Pledges

On the basis of the functions assigned by the party, the trade unions as professional organizations are expected to further involve the workers in managerial activity, to help unite their efforts to implement the RCP Program, and to organize consultation of the masses as well as regular discussion of the solutions to problems concerning the enterprises' and institutions' activity and the socioeconomic progress of Romania.

Under the direct supervision of the party organs, the trade union committees and collective management organs have substantiated the pledges made in competition by the economic units' collectives on the basis of the goals set by the committees of the unions of trade unions for production sectors and the respective ministries and submitted them for the approval of the workers general assemblies organized in the first quarter. They concern the primary tasks of

economic activity. The labor collectives in industry pledge a gross output of over 10 billion lei, a net output of over 2.5 billion lei, profits of 625 million lei, savings of 46,200 tons of metal and 400,000 tons of conventional fuel, etc. Major pledges have also been made to raise the use indices of machines, equipment and installations, to increase exports and reduce imports, to improve product quality, to expedite activation of new investment capacities, and to exceed the planned tasks in crop and livestock production.

The new requirements indicated by Comrade Nicolae Ceausescu, the party secretary general, for correct application of the principles of the new economic-financial mechanism made it necessary for us to assign priority in socialist competition to the indicators expressing the essence of the mechanism, namely the net output and physical production, and to adjust the criteria for naming the excellent and leading workers and collectives in socialist competition to the current requirements of the new economic-financial mechanism. The criteria have been better defined not only for every production sector but also for units, sections and work places. In enterprises visual propaganda promoting prompt checking and comparison of the competition results has been improved, with emphasis on the effectiveness indicators of the new mechanism. Bulletin boards have been installed displaying the pledges taken and the progress made in sections and shops and on the level of the enterprises. In order to disseminate the best forms of visual propaganda in support of physical production, the net output and the profits, many exchanges of experience and methodological conferences have been organized in enterprises and also on the levels of some cities, municipalities and counties.

Thanks to improved efforts to mobilise the workers for the great socialist competition to fulfill the plan tasks for 1980, the trade unions were a great help in exceeding the net industrial output for 7 months by 300 million lei.

Though good results have been obtained in plan and pledge fulfillment, it must be pointed out that there are still lags in a number of enterprises, partly because there have also been some shortcomings in the organization and conduct of the socialist competition. Some enterprises have made no serious effort to provide the technical-material and organizational conditions needed to carry out the plan and the pledges, while others have not specified the pledges and are not publicizing the results obtained, or those that led the competition, adequately or effectively. Furthermore sufficiently prompt measures are not taken everywhere to remedy the defects in the conduct of the socialist competition, especially in technical-material supply in keeping with the pleges, nor is there any resolute opposition to the negative phenomena that arise in cooperation among enterprises and in application of the principles of the new economic-financial mechanism.

Regular Effort to Promote Advanced Methods

As results of a progressive worker awareness, a new, socialist attitude toward work, and great professional competence, advanced methods and suggestions in production are lending a profound significance and greater impetus to the socialist competition in this five-year plan as a specific expression of the

masses' resolve to keep producing more faster, better and cheaper and to make fullest use of the economic units' human and technical-material resources as conclusive proof of complete understanding of the specific ways of participating in self-management.

In accordance with the measures adopted before the start of this year by the Central Council of the UGSR /General Union of Romanian Trade Unions/, the trade union organs and organizations have consistently concentrated on determination, improvement and generalization of advanced methods and suggestions as a practical means of direct contribution to implementation of the plan tasks and pledges taken in socialist competition. They have made a more regular effort to retain out of the mass of suggestions and methods those that directly contribute to the attainment of essential objectives in this stage, like better use of production and transport capacities, higher indices of use of equipment, installations and assemblies, reduced consumption of raw materials, materials, fuels and electric power, greater labor productivity, better product quality, better organized labor and production, intensified occupational training, consolidation of order and discipline in production, etc. The programs prepared for this purpose by the committees of the unions of trade unions for production sectors are also intended this time to get extensive support from the respective ministries in creating the conditions required for successful application of the most efficient methods and suggestions. The effort to discover, study and generalize the best of these was extended even further this year in the activity of the county, municipal and city trade union councils, and intensive studies, exchanges of experience, conferences, documentary visits and practical demonstrations were organized. The trade union committees also made many organizational and propaganda efforts on their level to determine and apply to production the methods and suggestions that proved capable of guiding the efforts made in material production in the directions specified in the program.

In all of Romania over 7.5 million workers are now applying about 170 advanced working methods and suggestions, the most widespread being those that will meet some current economic and technical requirements, such as: "We can produce more and better with our machines," "Let us work 1 day a month or quarter with conserved materials or fuel," "the collecting account of the trade union group's savings," "internal quality control," "labor productivity at higher quotas," "the micron, gram and second serving effectiveness," "the friend of the new on the job," "Let every engineer, technician and economist solve a technical-economic problem in addition to those in the technical plan," "workers instruction," "the good service brigade," etc.

For example in Brasov, Cluj and Bacau counties 18, 21 and 12 suggestions respectively are being applied by over 380,000 workers who brought about an economic effectiveness of nearly 200 million lei in the first quarter of 1980. In Bucharest municipality values of more than 25 million lei were entered in the "personal account of technical-scientific creation" used by more than 12,700 persons, by now over 21 million lei have been entered in the "collecting account of the trade union group's savings" used in collectives numbering about 65,500 workers, and the suggestion "productivity, quality and technical

progress," applied by 42,000 workers, contributed 64 million lei.

But in this effort the trade unions did not do all that depended on them for the sake of greater efficiency throughout. Although some suggestions proved economically effective at the work places where they were made, they were not generalized even on the scale of the whole enterprise. In some economic units in Ialomita, Olt, Dimbovita and Arad counties the trade union committees and workers councils are not receptive or interested enough to improve the content of suggestions and consequently do not take the necessary measures to make their application produce the expected results.

In this connection we are trying to eliminate the instances of red tape and routine that still occur, since some mere slogans are still being declared suggestions at points, and they have no technical-organizational measure or action in back of them or the conditions are not provided that are needed to apply those with a sufficiently effective content. We are also trying to interest the trade unions in providing for prompt checking of the effects of a suggestion once it has been applied or adopted, and the necessary means are being created such as record cards, bulletin boards and graphs for recording results. If these are skillfully used, they enable the workers to compare their results promptly and to analyze what they have to do in order to expand the respective measures more successfully. Audiovisual and other propaganda means will also be used more to expand them, which are expected to publicize their content for the workers, foremen, technicians and engineers who will lead the socialist competition after they are applied.

Innovators and Inventors Movement To Meet Current Demands

In the effort to carry out the measures adopted by the party administration and Comrade Nicolae Ceausescu's directives concerning full promotion of the technical-scientific revolution in the current five-year plan, the trade unions jointly with the collective managements in units, centrals and ministries have started and are conducting various activities to encourage more and more workers to help promote technical progress.

According to law the USGR conducts the mass movement of inventors and innovators and, according to the functions with which it is invested, it exercises public control over inventive and innovative activity. The Central Council directed the trade unions to enlist an increasing number of workers with applied-technical aptitudes in the technical creative programs organized in the course of the National Cintarea Romaniei Festival. In order to direct the participants' efforts and inventive capacities toward the essential economic objectives and the economic units' urgent problems, the trade unions and their unions for sectors of activity jointly with the collective managements in ministries, industrial centrals and enterprises drafted and widely publicized the subject plans for inventions and innovations for 1980 and organized collectives to treat and resolve the subjects. They also tried to increase the number of inventors' circles (which has now reached about 2,000) and to improve their activity. Among the programs they initiated, whose diversification and effectiveness have greatly increased this year, we note the competitions among

inventors circles on the county level, subject discussions, conferences and exchanges of experience, and exhibitions of inventions and innovations with products, equipment, apparatus, new tools, labor safety devices and other results for their recognition, assimilation and application to production by as many collectives as possible. In the first half of 1980 alone over 500 inventions and innovations were applied to production in Maramures, Mures, Bacau and Dolj counties, with an economic effectiveness of nearly 100 million lei.

This year, as distinguished from the past, the trade unions made some favorable changes in their approach to the management of the innovators and inventors movement. Before the programs for mass technical creation were drafted most of the enterprises arranged consultations of the workers on the objectives and subjects to be included in these programs and named the collectives of workers, experts and engineers that would resolve the proposed subjects. They also formed collectives that centralized the proposals made by the workers at the monthly assemblies of the trade union groups or on other occasions concerning the possibilities and requirements for innovation and technical progress.

The actions taken on the sector scale were more numerous and of better quality. For example the Committee of the Union of Trade Unions in Metallurgy and Machine Building, jointly with the management of the Ministry of the Machine Building Industry and with the aid of the Brasov County Council of Trade Unions, organized a conference at the Truck Enterprise that was attended by the heads of the innovators circles in 60 enterprises and research and design institutes and 17 industrial centrals. In light industry, an exchange of experience was held at the Lugoj Textila Enterprise under the organizational auspices of the committee of the union of trade unions and the management of the respective ministry concerning generalization of the invention "Installation for Predrying Flat Textiles. It was attended by specialists from the ministry, industrial central and enterprises interested in the use of this machine and this highly economic industrial process.

In describing the actions taken, I do not mean that there are no shortcomings in the effort to encourage mass participation in technical creation. Not in all enterprises have the trade unions succeeded in organizing programs that will help introduce the new in production promptly. On the contrary and as an evidence of red tape, some of them have allowed results from previous years or products in current manufacture that are not novelties to be displayed in the exhibitions organized with their help. Not enough effort is made to promptly generalize some advanced working methods and procedures and valuable technical achievements in the production sectors. Not everywhere do the trade unions try to lend workers participation in mass technical and scientific creation a permanent character and the best of organizational and material conditions. Therefore we try in the course of guidance to help all the trade unions understand the need of optimal completion of every program, so that those undertaken will be formal occasions not only for presenting the results but also for effective stimulation of the masses' interest and more active participation in introducing the new into production and for sound organization of this participation through acceptance of subjects to be resolved. Organized from this standpoint, the stage for production sectors that ended on 1 July 1980 was not only an occasion for review of the effort to develop mass technical creation but also an important foreward step in this direction.

The Romanian trade unions' whole activity is now emphasizing unification of the workers' efforts toward rapid and all-around development of the productive forces, modernization of the economic structures, formation of a strong technical-material base, and training workers, engineers and technicians that can ensure and maintain through increasingly good results the program to enhance the living conditions and welfare of the workers.

The trade unions are trying to better exploit the collectives' mobilizing capacity in order to make the best possible use of the internal reserves at every work place for successful fulfillment of the tasks of the five-year plan of the technical-scientific revolution and in preparation for the one we shall begin next year.

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USE OF PROFITS IN NEW ECONOMIC MECHANISM

Bucharest MUNCA DE PARTID in Romanian Sep 80 pp 70-72

/Article by Cornel Iuga, deputy minister of finance: "Profit As a General Expression of a Profitable Economic Activity"/

/Text/ In the socialist economy the profit is a part of society's net income or of the surplus product created by the labor for society of the workers employed in the productive sector. In both state and cooperative socialist units the profit is the result of the workers' creative efforts on behalf of further development of production, its greater effectiveness, and growth of the national income.

The profit is the part of the value newly created in the economic units' productive activity that is formed after the following elements are distributed: the levy for society of a part of the value of the net output, remuneration of workers and their other benefits, outlays on research and introduction of new technology, the tax on the total wage fund, the contribution to social insurance, and other live labor outlays.

In summarizing the results of economic-financial activity and the capacity of the enterprises and workers collectives to manage public property with high efficiency, the profit expresses the effect of a multitude of factors including the volume and technical level of the output, the extent of labor productivity, the degree and way of using the the productive capacities, the amount of the production and circulation costs, organization of production and labor, etc. The size of the profit is mainly determined by the volume and structure of the commodity output and production cost. The profit can be increased by increasing commodity production, enhancing its quality and qualitative level, and reducing production costs and the cost per unit of output.

As a major economic category, the profit performs the following main functions in the socialist economy: the basic resource of the enterprises' expanded production, self-administration and self-financing; the economic units' and labor collectives' to obtain optimal results through use of the resources entrusted them by society; a general indicator for estimating the effectiveness of the

economic activity; and a means of control over the economic units' management of the material and financial resources at their disposal.

In view of the profit's vital role in securing the resources essential to development of the productive forces and improvement of the living standard, its growth must be central to economic activity and become a major, priority concern of the party organs and organizations, the collective management organs and all workers. As the party secretary general, Comrade Nicolae Ceausescu, pointed out, "Romanian enterprises must produce more cheaply, manufacture better goods, and obtain increasing profits. That is the only way we shall succeed in making the great construction effort we have already made and are continuing bear increasing fruits on behalf of society and the people's welfare."

The RCP has severely criticized the idea and practice whereby the socialist system can tolerate the existence of units operating at a loss and financed with resources obtained from other units, since this adversely affects the effectiveness of the national economy and the general development of society. As Comrade Nicolae Ceausescu rightly pointed out at the expanded plenum of the National Workers Council in June 1980, "If we wish to carry out the socialist and communist principle of distribution, we must understand that we cannot do so without an effectiveness higher than the capitalist one and a higher profitability.

To induce the economic units to increase effectiveness and to obtain higher profits and profitability according to the principles of the new economic-financial mechanism, legislation was passed whereby the productive units will procure the resources they need for self-financing their activity and as an incentive for the workers collectives on the basis of their tasks in the national plan of development and in proportion to the profits made. At present, according to Law No 29 on Formation, Planning, Allocation and Payment of Profits, the profits that accrue after covering outlays not included in the production costs out of the general financial results and after deducting part of the value of the net output for society are used by enterprises directly for restitution of the funds received to finance investment projects, formation of their own funds for development, material incentive for the workers, payments into the state budget and for other purposes.

The conditions for consistent promotion of economic-financial self-administration in practice were created by the improvements made in the use of the profit or by substantial development of its role in the enterprises' economic activities. Thus 34.5 percent of the total profits, or over 48 billion lei, was made available to the state enterprises in 1980 to form their economic development fund, circulating capital fund, fund for housing construction and other social investments, fund for social programs, fund for workers profit-sharing and to meet other internal needs.

To encourage the workers collectives to exploit the reserves for more effective use of production capacities, more intensive growth of labor productivity, better use of raw materials, materials, fuels and energy and to save on production costs, which savings will take the form of extra profits, the legal provisions specify that most of the above-plan profits will be available to units.

It is a highly important fact with profound implications for the economy that the measures to develop the role of the profit were not confined to the state economic units but equally apply to the cooperative sector. According to the directives of the RCP administration, the profit was introduced as one of the major indicators of the economic activity of the agricultural, artisan and consumer cooperatives, in order to form a uniform framework for forming the funds throughout the socialist economy. As a result the cooperative units also use the profit mainly as a resource for the economic development fund and the circulating capital fund. Moreover, in view of the distinctive features of the cooperative units, the profit is also used to meet some of their particular needs, including the reserve fund for production and remuneration of labor, the intercooperative fund for mutual aid and consolidation, the fund for cultural and sports programs, and the fund for profit-sharing for the social part formed out of the cooperative members' cash deposits.

The great importance attached to the profit during the improvement of the economic financial mechanism as a main source for general social development, for forming the internal development funds and for implementing the measures to raise the workers' living standard requires every state or cooperative economic unit to take part both in the process of planning and preparing the budgets of incomes and outlays and especially in the current everyday effort to mobilize the entire material, technical and human potential for exemplary fulfillment of all plan tasks concerning the net output, physical production, costs and profits. To this end the economic unit will provide for determination and implementation of production in the physical structure corresponding to the domestic and foreign market demands and determined by economic contracts or firm orders; complete and intensive use of the unit's production capacity, obtaining increased production per 1,000 lei of fixed capital; regular growth of labor productivity and rationalized labor consumption; conformity to the approved work norms and personnel regulations; proper proportioning of the funds for remuneration of labor and their economic and efficient use; conformity to the norms and standards for consumption and stores of raw materials, materials, fuel and energy and reduced specific consumption; better use of material resources and a better quality of products and services; more rapid attainment of the planned parameters of investment capacities; promotion of technical progress and use of scientific research results to modernize production; limiting the general outlays and administrative-managerial outlays to what is strictly necessary; further reduction of production and circulation costs, the most efficient management of material and financial resources, a strict regime of economy in all activities, and tighter plan and financial discipline in all sectors.

The generalized application of the new economic-financial mechanism in the course of 1979 demonstrated that it stimulated efforts to enhance economic effectiveness, profit and profitability. At the same time, as it was pointed out in the expanded plenum of the National Workers Council, not everywhere was it understood or firm action taken to conduct the entire activity with maximum effectiveness, to produce at lowest possible costs and to firmly eliminate the losses. "We must make every effort so that the principles of the economic mechanism will be well understood and steadfastly applied...," Comrade

Nicolae Ceausescu said in pointing out the necessity of considering well with what material and manpower outlays we implement production, of pursuing more intensive growth of the net output and the national wealth, and of securing a correct distribution of the national income between the development fund and the consumption fund, while within the consumption fund the part allocated to remuneration of labor must be in the highest proportion in every worker's incomes.

Of course the expanded functions of the profit in economic activity and, by the same token, its enlarged role in stimulating more effective economic activity mean heavier tasks for the units' management councils. The workers councils as well as the financial-banking organs are expectly to strictly proportion, on a realistic basis, the volume of profit entered in the budget of incomes and outlays and its purposes as well, so that in the stage of preparing the plan the workers collectives' efforts will be directed and channeled toward finding ways and means of cutting production costs and especially material outlays, of accelerating the rotation of the funds, and of obtaining high economic effectiveness.

And in the course of executing the plan the collective management organs and the financial-banking organs are required to check and take prompt measures for strict fulfillment of the production tasks in the specified assortment, close conformity to the level of the total outlays and regulation inputs of raw materials, materials, fuels and energy, starting manufacture of products with an assured sale only, prevention and elimination of immobilizations of funds, etc. so that the entire planned profit will be realized.

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